



Vassiliko Cement Works Ltd

ANNUAL REPORT & FINANCIAL STATEMENTS 2004





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Address by the Executive Chairman



Dear Shareholders,

On behalf of the Board of Directors I welcome you to the 39th shareholders annual general meeting of the Company.

Financial Results

The financial results for 2004 improved compared to 2003. The improvement in profitability resulted mainly from the increased demand for cement in the domestic market, and the price corrections following the liberalisation of the market.

As a result, the total sales increased from

£35.268.000 to £39.667.000, while the operating profit increased from £3.842.000 in 2003 to £6.691.000 in 2004. Similarly, profit before taxation increased from £2.797.000 to £5.815.000 and profit after tax and minority interest increased from £3.410.000 in 2003 to £5.038.000 in 2004.

Review of the year

The total Cyprus cement market during 2004 increased to 1.537.000 tones compared to 1.303.000 tones of the previous year, an increase of 18%. Cement consumption has been growing fast in Cyprus for the last 4 consecutive years. Although the current cement consumption is still rising, we should be careful in our estimates and expectations regarding the future years as this situation may not be sustainable in the long term; this, of course, will not be true if there are significant improvements in the political situation which will lead to a solution of the Cyprus problem.

During the year 2004 the Company exported



205.000 tones of cement to Spain, Portugal, Italy and the United Kingdom. Export volumes decreased due to the strengthening demand of cement in the domestic market.

Although local prices have increased, they still remain at low levels if compared to the prices prevailing in the rest of the European Union countries.

Energy costs

Fuel costs increased during the past year following the rising international prices of oil, affecting the cost of extraction and transportation of raw materials.

The cost of pet-coke, which is the main burner fuel, fired during the production of clinker at the kilns, also increased, affecting adversely the total production cost.

Savings were achieved in electricity cost through various efficiency improvements of the production

processes, which include the use of the new cement mill acquired in 2002 for the production of composite and high strength cement types.

Furthermore, the successful operation of the power plant installed in 2003 reduced electricity cost in excess of £0,5 million if compared to the alternative source of electricity, the Electricity Authority of Cyprus.

Prospects for the current year

The sales of the first quarter increased by 16% and reached 277.000 compared to 238.000 tones sold during the respective period of 2004. In addition the building permits issued indicate a further increase in future construction works; Cement consumption for 2005 is expected to be marginally higher than 2004 and the export sales contracts of the Company will easily absorb the remaining production of the Company. International cement prices improved due to the increased demand for cement in the countries of the Mediterranean Sea.



The production costs of the year are expected to increase due to the rise in the prices of fuels and energy. Furthermore, we expect to have higher maintenance cost due to the scheduled general overhauls of the two kiln lines. The Company also complies with the new requirement of the European Union introduced in 2005, to reduce the hexavalent chromium content in cement at an additional cost. Financing costs are expected to reduce with the repayment of most expensive loans.

Vertical integration in ready mix industry

As it is already known, the Group invested in a ready mix plant by the acquisition of 51% in A.E.S. Atlas Ready Mix Concrete in August 2004. Atlas operates in the Paphos district, an area in which the construction industry is growing very fast and which was dominated by the competition. During 2004 the company managed to penetrate the market and build up a satisfactory market share.

Technological improvements and environmental policies

The Board of Directors approved the increase of the capacity of the power plant, following the successful operation of the existing facility with the purchase of another 4MW engine. The new plant is expected to start operation within the first half of 2006.

Furthermore, studies are being carried out to examine the viability of a new production line that will replace the three current lines, will increase the total annual clinker capacity from 1,1 million to 1,45 million tones and simultaneously reduce substantially the operating costs and improve significantly the environmental performance of the Company.

New emission restrictions have been applied this year throughout the European Union on carbon dioxide; our Company will manage to remain within the limits set by the use of alternative sources of energy and the introduction of new environmentally friendly cement types.



Dividend

The Board of Directors, having taken into account the results of the year, as well as the current year prospects, decided to propose to the General Meeting the payment of an additional dividend of £1.075.000 for the financial year 2004, which corresponds to 2 cents per share or 8% of the nominal share price. Together with the interim dividend paid in December 2004 of £806.000, which corresponds to 1,5 cents per share, or 6% of the nominal share price, the total dividend to be paid from the 2004 retained profits amounts to £1.881.000 and corresponds to 3,5 cents per share, or 14% of the nominal share price.

Departing Directors

We would also like to thank warmly Mr. G. Paraskevaides who is retiring from the Board of Directors at this annual general meeting, for the valuable services he has offered to the Company during the many years he has served as a member of the Board.

Employees

Finally, I would like to express the deepest thanks and respect of the Board of Directors to the Management, the employees of the Company, Hellenic Mining Company Ltd, Italcementi Group, as well as other associates of the Company for their good and valuable services.

PANOS CHR. GHALANOS
Executive Chairman

Lefkosia, 15 April 2005



> HISTORY & INFRASTRUCTURE DEVELOPMENT

Vassiliko Cement Works Ltd was established in 1963, as a Public Company, on the initiative of Hellenic Mining Company. Vassiliko was chosen as the best possible location for the erection of the plant in view of the abundance of raw materials of excellent quality and the proximity to the sea.

The 150.000 tones capacity plant was put into operation in 1967 and the first years of operation were exceptionally encouraging since the Company managed to sell its entire cement production, realising at the same time significant profits.

Since 1967, the Company evolved with the market and the growing economy of the island. New production lines were installed to increase the production capacity of the initial plant in order to satisfy the growing local demand; the Company also managed to develop an international network of customers, built on the quality of its product, reliability and competitiveness. Recognising the great potential of the international market, the Company constructed the Vassiliko Port next to the cement plant in 1983, through which half a million tones of cement are exported on an annual basis.

This port is also available to third parties for the import and export of bulk cargoes. The Company is now producing 1.3 millions tons of cement per annum.

An important milestone in the history of the Company is the year 1990 when the Italcementi Group acquired 20% stake in the Company, which later has increased to 33%. Italcementi Group is one of the largest cement manufacturers in the world with investments in Europe, Asia, America and Africa. Italcementi group contributed significantly to the development and progress of Vassiliko Cement Works Ltd by sharing its vast know-how in cement production processes and advising on introducing new technologies.

The Company was committed to a sustainable development program from which more than £4.000.000 were invested to increase capacity and improve and upgrade the production processes, while £500.000 were spent purely to improve the environmental performance. Further, the Company invests significantly in its relations with the neighbouring communities; it is very sensitive on environmental issues and employs full time staff to improve communication.



Amongst other things, the above investments include:

- A 25.000 ton cement silo has been erected and operates since 2000, which improves the exporting facilities and local distribution.
- In 2002 a new cement mill was installed, of the latest and most modern energy efficient Roller type technology at a total cost of £7.000.000. This mill will also helps in reducing the CO² emissions through its ability to consume 20% (10 kWh/TN cement) less electric power compared to conventional tube mill systems. It will also contribute to a large extent in the health & safety of our personnel, and the welfare of the neighbouring community through its reduced noise levels.
- A further move by the Company in helping reduce the country's global CO² is the expected installation and commissioning in April 2003 of a 6MW fuel oil fired internal combustion engine cogeneration power plant, a £2.300.000, project that will also reduce substantially the plant's electric power costs.

> POLICY & CONTEMPORARY TECHNOLOGY

The Company strategy is in short the continuing strengthening of its competitiveness, and its sustainable development program.

A fundamental aim of the company is the continually study of new technologies and the introduction, in controlled stages, of proven and reliable processes, which serve the Company's quality requirements and financial targets.

The technology of Vassiliko Cement allows the maximization of the productivity, the minimization of operating costs and the quality improvement of the products.

Within the framework of the technological upgrading, the Company introduces new automation systems and also applies preventive maintenance procedures, which maximise the Utilization Factor of the production units.

Customer Service both in Cyprus and international market has been improved, and the waiting and also the loading time has been drastically shortened.

The Company has started in year 2002 operating a complete Concrete Testing and Research Laboratory



according to European Standards, in order to investigate and research further the behavior of various cement types produced with various local aggregates and extend its customer service functions to include technical support.

> PERSONNEL, HEALTH & SAFETY

The equipment for the protection of Environment, Health and Safety has been upgraded in all areas of the activity of the Company. The degree of training and education of the personnel of the Company has been improved and put on a continuous systematic basis. The Company is nowadays compared favourably with most European Cement Plants.

The Company presently employs about 200 well-trained people, who are receiving educational and training courses on a regular basis. A Safety Committee operates in the Plant in accordance with the existing legislation. The Company has also received the Safety Award from the Ministry of Labour & Social Insurance for two years in 1997 and 2002.

Increased labour productivity, employee participation, and promotion of team work, all form fundamental aspects of the Company personnel policy.

> ENVIRONMENT & SUSTAINABLE DEVELOPMENT

Within the framework of our continuous improvement policy our Company has given special attention to the field of Environment which has been considerably upgraded during the last years. The protection of Environment in all phases of production constitutes a priority.

Additionally, our Company, since 1997, applies a new policy of contribution to the development of the neighbouring communities giving special emphasis to the Environmental matters especially those related with ecology.

In addition to the work of planting trees in large areas of the plant and the depleted quarries, the



Company has contributed to the development of parks & plantation of green in the neighbouring communities.

The Company is now focusing in depth on how to help further the country in reducing its CO² emissions and solving most of its serious environmental (uncontrolled disposal) problems by utilizing various auxiliary fuels, rich in energy content solid materials, always conforming to the relevant legislation.

These materials serve as low cost auxiliary-alternative fuels to replace conventional fuels (pet-coke and/or fuel oil). The combustion process and emissions are always closely monitored by our own technical staff as well as Government authorities to ensure compliance with relevant directives and legislation. The local communities are kept informed of all relevant Company policies, plans and actions. In addition the Company has started producing new types of blended cement, with the addition of highest quality limestone, of super quality and well above acceptable strength limits. Such types include high strength composite (CEM II 42.5R), normal composite (CEM II 32.5R) both of which have vast environmental benefits since the amount of clinker in the cement is lower and therefore help reduce further the Company's global CO² emissions.

> STRATEGIC COLLABORATIONS / CUSTOMER SERVICE

The Company participates since 2001 with 30% in Pyrga Quarries Ltd, in collaboration with the Ioannou & Paraskevaides Group for the production of aggregates.

In 2004, Vassiliko Cement Works Ltd, building materials division participates with 51% in the ready mix concrete Company A.E.S. Atlas Beton Ltd located in the northern Paphos district at Drousia area. This Company is newly formed with brand new and modern production equipment and owns a fleet of 10 truck-mixers and 3 pumps for best service of the customer. The Company, with over 120.000m³ annual capacity, is focused to the customer needs and the quality assurance continuing the tradition of Vassiliko Cement Works.

The Company implemented the CRM system, a modern software package all over the world, as a part of the reorganization procedure of all the Company's activities in Cyprus and abroad.





The Company in order to support the Customer Service Division has now created its own fleet for delivery of cement to customers in the local market. This activity offers the opportunity to the Company to get involved and to be closer to the customer needs.

> QUALITY SYSTEM



Vassiliko Cement Works has, a long time ago, considered quality as an indispensable condition for its success in the coming years, as well as for the customer's satisfaction. The Company's commitment to continuous improvement and technical upgrading has resulted in the development and implementation of a management and quality system.

All Vassiliko products fulfil the normative requirements, in the line with the Company's policy for the control and continuous improvement of the product quality. The installed Quality System controls and regulates effectively the main properties of the semi-final and final products in order to have the minimum possible deviations from the quality targets. This management and quality system gives emphasis on prevention rather than correction and has led to the award to Vassiliko Cement Works of the International Quality Certificate ISO 2002 in June 1996 and the "CE Mark" product certification in June 2001.

Quality means customer satisfaction, and towards this target a Technical Assistance Department was created in 2001 which offers to the clients the access to Vassiliko Cement Works and Italcementi Group know-how. This fact constitutes a further reassurance to our customers and a guarantee of consistent product quality and service excellence.





Annual Report & Financial Statements 2004

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Officers, Professional Advisers and Bankers

Directors:	PANOS CHR. GHALANOS	(Executive Chairman)
	MICHEL LEFEBVRE (French)	(Executive Vice-Chairman)
	GEORGIOS A. SIDERIS	(General Manager)
	JEAN-YVES GESTIN (French)	
	THEODOROS ARISTODEMOU	
	STEFOS CHR. KALOYEROS	
	GEORGIOS E. PARASKEVAIDES	
	GIORGIO GHINAGLIA (Italian)	
PAMBOS IOANNIDES		
PANAYIOTIS HADJIPANTELIS	(Alternate Director)	
Financial Manager:	GEORGIOS S. SAVVA	
Secretary:	MARIA MAVRIDOU	
Auditors:	KPMG	
Legal Advisers:	JULIUS P. JOSEPHIDES	
	TASSOS PAPADOPOULOS & CO	
	HERMES STYLIANIDES & CO	
Bankers:	BANK OF CYPRUS LTD	
	HELLENIC BANK LTD	
	NATIONAL BANK OF GREECE (CYPRUS) LTD	
	COMMERCIAL BANK OF GREECE S.A.	
	ALPHA BANK LTD	
Registered Office:	1A, KYRIAKOS MATSIS AVENUE 1082 LEFKOSIA, CYPRUS	
Registered Number:	1210	





Notice of Annual General Meeting

The 39th annual general meeting of the shareholders of Vassiliko Cement Works Ltd will be held at the HILTON PARK Hotel in Lefkosia, on Thursday 26 May 2005 at 5:00 p.m. to transact the following business:

- **Consider the annual report of the Board of Directors for the year 2004.**
- **Receive, consider and approve the annual financial statements and the report of the auditors for the year 2004.**
- **Approve the additional dividend for the year 2004.**
- **Elect new directors in the place of those who retire.**
- **Fix the remuneration of the directors for the year 2005.**
- **Fix the remuneration of the auditors for the year 2005.**
- **Transact any other business which, in accordance with the Company's Articles of Association, can be presented at the annual general meeting.**

By order of the Board

M. MAVRIDOU

Secretary

Lefkosia, 6 April 2005.

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

The additional dividend for 2004 will be subject to the approval of the annual general meeting and will be paid to the shareholders who will be registered on 7 June 2005. In accordance with the rules of securities dealing, the transactions that will be concluded during the two stock exchange meetings immediately preceding 7 June 2005 (3 June – 6 June 2005) will be considered ex dividend, i.e. they will not include the dividend that is payable, which belongs to the transferor irrespective of whether he/she signed the transfer deed within the above period. Payment of the dividend will be made (effected) till the 23 June 2005.





Directors' Report

The Directors present their report together with the audited financial statements for the year ended 31 December 2004.

• Financial statements

The consolidated financial statements for the year 2004 include the results of the holding company and its subsidiary and associate companies.

• Principal activities

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

• Results

As shown in the consolidated profit and loss account, the net profit after taxation for the year ended 31 December 2004 amounted to £5.038.000 compared to a net profit of £3.410.000 in 2003.

• Dividend

Following the payment of an interim dividend of £806.000 in December 2004, which represents 1,5 cents per share, the Board of Directors recommend the payment of an additional dividend of £1.075.000 or 2 cents per share, so that the total dividend for 2004 will amount to £1.881.000 or 3,5 cents per share, which equals the dividend payment out of the profits of 2003.

• Board of Directors

The directors who served during the period from 17 June 2004, the date of the last annual general meeting, till this date were the following:

Panos Chr. Ghalanos
Michel Lefebvre
Georgios A. Sideris
Jean-Yves Gestin
Theodoros Aristodemou
Stefos Chr. Kaloyeros
Georgios E. Paraskevaides
Giorgio Ghinaglia
Pambos Ioannides
Panayiotis Hadjipantelis (Alternate Director)

In accordance with the Company's Articles of Association (Article 92), at the present general meeting Messrs G. Paraskevaides, G. Ghinaglia and P. Ioannides retire from office by rotation. Messrs G. Ghinaglia and P. Ioannides, being eligible, offer themselves for re-election.

• Auditors

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

Lefkosia, 6 April 2005.

On behalf of the Board of Directors
PANOS CHR. GHALANOS
Executive Chairman





Corporate Governance

» Section A

The Company has adopted and fully implements the Corporate Governance Code issued by the Cyprus Stock Exchange except in the two cases mentioned in section B of this report and further prepared procedures and regulations in order to ensure compliance with the Code.

» Section B

• The Board

The Company is headed by the Board of directors which at 31 December 2004 comprised three executive and six non-executive directors and is responsible to the shareholders for the proper management of Vassiliko Cement Works Ltd and its subsidiaries. All non-executive directors are considered to be independent of management according to the principles laid in the Corporate Governance Code. The Board has six scheduled meetings a year, setting and monitoring the Group's strategy, reviewing trading performance, ensuring adequate funding, examining major capital expenditure, formulating policy on key issues and reporting to shareholders where appropriate. In accordance with best practice, the Board has established the Audit Committee, the Remunerations Committee and Nominations Committee as per the requirements of the code. The Company Secretary is responsible to and appointed by the Board and all directors have access to her advice and services. Directors may obtain independent professional advice if necessary, at the Company's expense. Formal agendas, papers and reports are supplied to directors in a timely manner, prior to Board meetings. Briefings are also provided at other times, for example, through operational visits and business presentations. The Board has a strong and independent non-executive element and no individual or group dominates the Board's decision taking. The Board considers that each of the non-executive directors is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

• Chairman and Group General Manager

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

• Appointments to the Board

The Nominations Committee is chaired by Mr. P. Chr. Ghalanos and is composed of two other directors, Messrs M. Lefebvre and P. Ioannides. Although two out of the three members of the Nominations Committee are Executive Directors (Executive Chairman and Executive Vice-Chairman), in contrast to the Corporate Governance Code requirements, only one Director receives remuneration under this capacity as Executive; thus the majority of the members of the Nominations Committee do not receive any remuneration under their capacity (if there is) as Executive Director and they have no involvement in the day-to-day management of the Company operations. The Nominations Committee is responsible for the selection and nomination of any new director, for the Board's consideration. The Committee is responsible to carry out a selection process. Upon the appointment of a new director, appropriate training is provided as required. In accordance with the Articles of Association of the Company and the Corporate Governance Code, the directors retire every three years by rotation and if eligible offer themselves for re-election. The Board has set the 75th year of age as the year of retirement. Directors, who are currently serving on the Board and have exceeded the retirement age limit, will retire when their next retirement by rotation is due.





Corporate Governance (continuation)

• Relations with shareholders

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

• Financial reporting

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

• Internal control

Risk assessment and review is carried out by the executive management with details of significant risks being documented. Periodic reports relating to significant risks and associated controls are prepared from this documentation and presented to the Board for its review. The Board has overall responsibility for the Group's systems of internal control and for reviewing their effectiveness. On the basis of the process described above, the Board has reviewed the key risks inherent in the Group, together with the operating, financial and compliance controls that have been implemented to mitigate those key risks. However, any system of internal control can provide only reasonable and not absolute assurance against material misstatement or loss. The Board has put in place an organisation structure with clearly defined lines of accountability and delegated authority. The principles have been designed to establish clear local operating autonomy within a framework of central leadership, stated aims and objectives. Procedures are established for business planning, budgeting, capital expenditure approval and treasury management. The executive directors regularly review the operating performance of each business and monitor progress against business plans.

• Audit committee and auditors

The Audit Committee comprises of Messrs J. Y. Gestin (Chairman), Th. Aristodemou, St. Chr. Kaloyeros, and P. Hadjipantelis. The Committee meets at least twice a year and provides a forum for reporting by the Group's external and internal auditors who have access to the Committee for independent discussion, without the presence of the executive directors. The Audit Committee reviews a wide range of financial matters including the annual and quarterly results, statements and accompanying reports, before their submission to the Board and monitors the controls which are in force to ensure the integrity of the financial information reported to shareholders. The Audit Committee also advises the Board on the appointment of external auditors and on their remuneration both for audit and non-audit work. The Group's internal audit function monitors the internal control system and reports to management and to the Audit Committee. Management is responsible for the implementation of the systems recommendations made by internal audit that carry out post-implementation reviews. The external auditors carry out independent and objective reviews and tests of the internal financial control processes, only to the extent that they consider necessary to form their judgement when expressing their audit opinion on the accounts.





Corporate Governance (continuation)

• Going concern

After making appropriate enquiries, the directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

• Remunerations Committee

The Remunerations Committee of the Board is responsible for ensuring that the remuneration packages awarded to executive directors are appropriate to individual levels of responsibility and performance, are consistent with the Company's remuneration policy, and are in line with the principles of the Corporate Governance Code. The Remunerations Committee is composed of three non-executive directors and one executive director who have no financial interest in the Group, no personal interest in the Committee's deliberations, and no involvement in the day-to-day management of the Group's operations. The members of the Committee are Messrs M. Lefebvre (Chairman), P. Ioannides, J. Y. Gestin, and St. Kaloyeros. The Committee will usually meet at least once a year. The Group Executive Chairman will normally be invited to attend its meetings in order to make recommendations regarding the remuneration for the executive directors (other than himself). External legal and consultancy advice is obtained when necessary. The Group Executive Chairman and the Group General Manager–Director are not present when their own remuneration is being discussed.

The Board appointed Mr. M. Lefebvre member of the Remuneration Committee in contrast to the requirements of the Code of Corporate Governance because, although he is an executive director, he does not receive any remuneration under his capacity as Executive Vice-Chairman of the Board of Directors and therefore there is no conflict between the two positions he holds.

• Remuneration policy

The Board's policy is to employ high calibre people for its key positions. It requires a corresponding level of performance from those people and seeks to reward accordingly. The Group may commission special reviews from time to time to assess the directors' compensation levels. Account is taken of the salary and total remuneration levels prevailing in comparable jobs both inside and outside the Construction and Building Materials sector, together with the individual performance and contribution of each executive director. The remuneration of executive directors consists of basic salary, a short-term incentive plan (annual bonus) and benefits. The Board considers that packages of this nature are consistent with prevailing practice and are necessary to attract, retain and reward executives of the calibre the Group requires. In framing the policy, the Board has given full consideration to the provisions of the Corporate Governance Code. The remunerations of the executive directors under their capacity as executives were as follows:

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





Corporate Governance (continuation)

• Employment contracts

Employment of executive directors are for indefinite periods, however notice periods do not exceed one year as per the requirements of the Corporate Governance Code.

• Non-executive directors

The remuneration of the directors, both executive and non-executive, for services rendered to the Company as directors, is determined by the annual general meeting of the Company on the proposal of the Board. The non-executive directors have letters of appointment for a three-year term. They do not participate in any profit sharing, share option or other incentive scheme. The remunerations for each of the directors for 2004 were £2.000 and £3.000 for the Chairman.

• Directors seeking re-election

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

In accordance with the Company's Articles of Association (Article 92), at the present shareholders annual general meeting Messrs G. Paraskevaides, G. Ghinaglia and P. Ioannides retire from office by rotation. Messrs G. Ghinaglia and P. Ioannides, being eligible, offer themselves for re-election.

• Loans to directors

No loans were made to the directors of the Company or to directors of any sister company or subsidiary company.

• Compliance with the Code of Corporate Governance Officer

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

• Board of Directors Confirmation

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

Lefkosia, 6 April 2005.





Directors' Curriculum Vitae

• Panos Chr. Ghalanos – Executive Chairman

Mr. Panos Chr. Ghalanos was born in Cyprus in 3/10/38. He is a graduate of the London School of Economics and Political Science (B.Sc. Economics) and a Fellow of the Institute of Chartered Accountants in England and Wales.

Mr. Ghalanos is currently the Executive Chairman of the largest industrial group in Cyprus, the Hellenic Mining Group. He is also the Executive Chairman of Vassiliko Cement Works Ltd, a member of the Hellenic Mining Group. In addition to the above posts, Mr. Ghalanos is also the Executive Chairman of the Hellenic Bank, one of the largest financial services provider in Cyprus.

Mr. Ghalanos also served for twenty years in the Board of Directors of the Electricity Authority Cyprus (EAC) both as a member and as Vice Chairman. Furthermore, for the period 1970-1974 he served in the Board of Directors of the Central Bank of Cyprus.

• Michel Lefebvre - Executive Vice Chairman

Mr. Michel Lefebvre is an Engineer graduate from the « Ecole Nationale Supérieure de l'Aéronautique et de l'Espace » and a graduate in Law and Economics. Mr. Michel Lefebvre worked as Finance and Administration Director at Olivetti, Valeo, and Aegis/Carat.

He joined Ciments Français in July 1994 as Vice President, Finance and Administration, in charge of Financial, Accounting, Legal and Tax Management, Management Control and the redeployment of Management Information Systems and he is also Secretary of the Board.

In October 1998, he was appointed Executive Vice President. From January 2000 to September 2003, he was Finance and Acquisition Director of Italcementi.

At the beginning of 2004, he took the operational responsibility for the Greece/Bulgaria/Kazakhstan/Cyprus zone.

• George Sideris – Director & General Manager

Mr. George Sideris was born in Nicosia, in July 1952. He received University studies in London at the Imperial College of Science and Technology where in 1975 he received a first class honours Bachelors degree in Chemical Engineering and a Masters degree with Distinction in Advanced Chemical Engineering in 1976.





Directors' Curriculum Vitae (continuation)

He was appointed as a Production Shift Engineer at Vassiliko Cement Works Ltd in 1976. Since then, he has served the Company from various posts.

In 1980 he was promoted to Production Supervisor a position which he held until 1990 when he was promoted to Production Manager and deputy to the General Manager.

In July 1997 he was appointed as General Manager, a post which he holds until today. He holds a position in the Board of Directors since June 2002.

During his long service he has accumulated valuable experience and has received external and internal seminar training in Human Resources, Leadership and Customer Satisfaction, and Quality, Health and Safety and Environmental Management Systems. In 1995-1996 he was assigned the project of the development of an ISO 9002 Quality Management System, for which the Company has been registered in 1996. He was also actively involved in Personnel reorganization and recruitment and new projects and strategic planning.

• Theodoros Aristodemou - Director

Mr Theodoros Aristodemou was born in 1951 in Paphos. He is a graduate of the Economics Department of the Law School of the University of Athens.

Mr Aristodemou worked as the General Manager of Cosmoplast from 1975 until 1983. Mr Aristodemou is the main shareholder and president of the Board of Directors of Aristo Developers Ltd a company established by him in 1983. For many years Mr Aristodemou was the President of the Chamber of Commerce and Industry in Paphos, as well as the President of Athletic and other Organisations, member of the Board of Directors of the Cyprus Telecommunications Authorities and Cyprus Airways Ltd.

Mr Th. Aristodemou is currently Vice President of the Cyprus Chamber of Commerce and Industry, member of the Board of Directors of the Bank of Cyprus, of the Hellenic Mining Company Ltd and other public and private companies.

• Jean-Yves Gestin – Director

Mr. Jean-Yves Gestin, of French Nationality, graduated from Ecole des Hautes Etudes Commerciales (HEC), a French business school. Mr. Jean –Yves Gestin joined Exxon Chemicals in 1974 and took various assignments at French and European levels: investment planner, head of operational planning and logistics in the Olefins division, Controller of the French operations.





Directors' Curriculum Vitae (continuation)

Mr Gestin joined Ciments Français in November 1986 as vice Director of the Finance and Administration Direction. In 1989 he was appointed Director of the Finance and Administration Direction of Calcia, a company covering the French cement operations of Ciments Français.

In 1994, Mr Gestin was appointed Manager in the International Direction of the Italcementi Group. In 2000, he became area manager, in charge of specific countries and activities.

• Giorgio Ghinaglia – Director

Mr. Giorgio Ghinaglia, is 54 years old. He is a graduate engineer, married and father of a 29 years old daughter. Mr. Ghinaglia has been employed at Saint Gobain Group for 22 years.

Mr. Ghinaglia joined Italcementi Group in 1994. At present Mr. Ghinaglia is the Italcementi Group Trading Director and Area Manager in charge of Egypt.

• Pambos Ioannides - Director

Mr Pambos Ioannides was born in Nicosia in 1947. Mr Ioannides holds a Bachelor Degree from the National University of Athens, a Master of Laws from the University of London and he is a member of the Cyprus Bar Association.

Mr Ioannides is the Managing Partner of the Tassos Papadopoulos & Co Law Offices.

Mr Ioannides is a Legal Advisor of organizations, banks and other corporations and a member of the Board of Directors of public companies.

• Stefanos Chr. Kaloyeros - Director

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

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





Directors' Curriculum Vitae (continuation)

• Georgios E. Paraskevaides – Director

Mr. Georgios Efthivoulou Paraskevaides was born in Athens in 1916. Mr. Paraskevaides studied Architecture at the Milan Polytechnic in Italy. Mr. Paraskevaides formed the contracting and civil engineering firm Joannou & Paraskevaides, in association with Mr. Stelios Joannou, which is the biggest development company in Cyprus and a company of international reputation.

Mr. Paraskevaides is a member of the Board of Directors of Joannou & Paraskevaides Group companies, of many other companies and organisations, such as banks, technical, trading, hotels and other corporations, as well as a member of Professional Associations among them the Contractors' Association of Cyprus. Mr Paraskevaides was also a founder member and for many years the Secretary General of the Contractors' Association of Cyprus.

Mr Paraskevaides together with his wife founded the George and Thelma Paraskevaides Foundation as well as the Cyprus Surgical and Transplant Foundation a Foundation that is presided over and sponsored by Mr. Paraskevaides.

Mr Paraskevaides was awarded several prestigious honors in Cyprus and throughout the world for his multifarious social and philanthropist activities.

• Panayiotis Hadjipantelis – Alternate Director of Director Mr. G. Paraskevaides

Mr Panayiotis Hadjipantelis is the Manager of Economic Services of the Holy Archbishopric of Cyprus. Mr Hadjipantelis is a Certified Accountant – Fellow Member of the Chartered Association of Certified Accountants, Fellow Member of the Association of International Accountants and a Member of the Association of Certified Accountants of Cyprus.

Mr Hadjipantelis is a member of the Board of Directors of the following companies: Athena Cyprus Investments Ltd, Hellenic Mining Company Ltd, Logosnet Services Ltd, Cultural and Informative Company "The Logos", as well as a member of the Board of Directors of Hellenic Mining Company Group companies and companies belonging to the Holy Archbishopric of Cyprus.



Auditor's Report to the Members of Vassiliko Cement Works Ltd

• Report on the financial statements

We have audited the consolidated financial statements of Vassiliko Cement Works Ltd (the Company) and its subsidiaries (the Group) and the Company's separate financial statements on pages 26 to 48, which comprise the balance sheets of the Group and the Company as at 31 December 2004 and the profit and loss accounts, statements of recognised gains and losses and cash flow statements of the Group and the Company for the year then ended, and the related notes. These financial statements are the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to the Company's members, as a body, in accordance with Section 156 of the Companies Law, Cap. 113. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated and Company financial statements give a true and fair view of the financial position of the Group and the Company as of 31 December 2004 and of the financial performance and the cash flows of the Group and the Company for the year then ended in accordance with International Financial Reporting Standards 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 financial statements of the Group and the Company give the information required by the Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on page 16 is consistent with the financial statements.

Lefkosia, 6 April 2005.

KPMG
Chartered Accountants





Consolidated Profit and Loss Account

For the year ended 31 December 2004

	Notes	2004 £000	2003 £000
Turnover	4	39.667	35.268
Cost of sales		(28.865)	(26.692)
Gross profit		<u>10.802</u>	<u>8.576</u>
Other operating income	5	586	952
Selling and distribution costs	6	(2.084)	(3.205)
Administrative expenses		(1.431)	(1.386)
Other operating expenses		(1.182)	(1.095)
Profit from operations	7	<u>6.691</u>	<u>3.842</u>
Impairment in value of investments	16	(513)	(914)
Finance costs	8	(395)	(211)
Share of profit from associate		32	80
Profit before taxation		<u>5.815</u>	<u>2.797</u>
Taxation	9	(786)	613
Profit after taxation		<u>5.029</u>	<u>3.410</u>
Minority interest	10	9	-
Net profit for the financial year		<u>5.038</u>	<u>3.410</u>
Earnings per share (cents)	11	9,4	6,3

The notes of pages 34 to 48 form an integral part of the financial statements.





Profit and Loss Account

For the year ended 31 December 2004

	Notes	2004 £000	2003 £000
Turnover	4	39.137	35.268
Cost of sales		(28.585)	(26.692)
Gross profit		10.552	8.576
Other operating income	5	586	952
Selling and distribution costs	6	(1.859)	(3.205)
Administrative expenses		(1.363)	(1.386)
Other operating expenses		(1.182)	(1.095)
Profit from operations	7	6.734	3.842
Impairment in value of investments	16	(513)	(914)
Finance costs	8	(393)	(211)
Profit before taxation		5.828	2.717
Taxation	9	(785)	618
Net profit for the financial year		5.043	3.335
Earnings per share (cents)	11	9,4	6,2

The notes of pages 34 to 48 form an integral part of the financial statements.



**Consolidated Balance Sheet**

As at 31 December 2004

	Notes	2004 £000	2003 £000
ASSETS			
Non-current assets			
Intangible assets	12	221	84
Tangible assets	13	59,704	59,535
Investments in associates	15	707	700
Investments available for sale	16	1,124	1,637
		61,756	61,956
Current assets			
Stocks	17	10,147	10,548
Debtors	18	5,572	6,408
Cash at bank and in hand		35	1
		15,754	16,957
Total assets		77,510	78,913
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	20	13,434	13,434
Reserves	21	50,332	46,730
		63,766	60,164
Minority Interest	10	(33)	(73)
Non-current liabilities			
Loans - due after more than one year	22	2,122	2,873
Deferred tax	23	4,441	4,886
		6,563	7,759
Current liabilities			
Trade and other payables	24	4,373	4,287
Overdrafts	25	1,699	5,519
Loans - due within one year	22	1,142	1,257
		7,214	11,063
Total equity and liabilities		77,510	78,913

The financial statements were approved by the Board of Directors on 6 April 2005.

PANOS CHR. GHALANOS

MICHEL LEFEBVRE

} Directors

The notes of pages 34 to 48 form an integral part of the financial statements.





Balance Sheet

As at 31 December 2004

	Notes	2004 £000	2003 £000
ASSETS			
Non-current assets			
Intangible assets	12	75	84
Tangible assets	13	58.183	59.380
Investment in subsidiary companies	14	500	500
Investments in associate company	15	1	1
Investments available for sale	16	1.124	1.637
		<u>59.883</u>	<u>61.602</u>
Current assets			
Stocks	17	10.133	10.548
Debtors	18	4.451	5.798
Amounts owed by subsidiaries	19	2.006	956
Cash at bank and in hand		34	-
		<u>16.624</u>	<u>17.302</u>
Total assets		<u>76.507</u>	<u>78.904</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	20	13.434	13.434
Reserves	21	50.322	46.715
		<u>63.756</u>	<u>60.149</u>
Non-current liabilities			
Loans - due after more than one year	22	1.772	2.873
Deferred tax	23	4.441	4.886
		<u>6.213</u>	<u>7.759</u>
Current liabilities			
Trade and other payables	24	3.939	4.220
Overdrafts	25	1.507	5.519
Loans - due within one year	22	1.092	1.257
		<u>6.538</u>	<u>10.996</u>
Total equity and liabilities		<u>76.507</u>	<u>78.904</u>

The financial statements were approved by the Board of Directors on 6 April 2005.

PANOS CHR. GHALANOS

MICHEL LEFEBVRE

} Directors

The notes of pages 34 to 48 form an integral part of the financial statements.





Consolidated Statement of Total Recognised Gains and Losses

For the year ended 31 December 2004

	Notes	2004 £000	2003 £000
Increase/(decrease) of deferred tax provision on revaluation of land	23	445	(674)
Dividends paid		(1,881)	(1,343)
Net losses not recognised in the financial statements		<u>(1,436)</u>	<u>(2,017)</u>
Net profit for the financial year		5,038	3,410
Total recognised gains related to the year		<u>3,602</u>	<u>1,393</u>

The notes of pages 34 to 48 form an integral part of the financial statements.





Statement of Total Recognised Gains and Losses

For the year ended 31 December 2004

	Notes	2004 £000	2003 £000
Increase/(decrease) of deferred tax provision on revaluation of land	23	445	(674)
Dividends paid		(1,881)	(1,343)
Net losses not recognised in the financial statements		<u>(1,436)</u>	<u>(2,017)</u>
Net profit for the financial year		5,043	3,335
Total recognised gains related to the year		<u>3,607</u>	<u>1,318</u>

The notes of pages 34 to 48 form an integral part of the financial statements.





Consolidated Cash Flow Statement

For the year ended 31 December 2004

	2004 £000	2003 £000
Cash flows from operating activities		
Profit before taxation	5.815	2.797
Adjustments for:		
Depreciation and amortisation charges	3.891	3.659
Interest expense	417	464
Exchange differences	(22)	(253)
Dividends received	(15)	(5)
Amortisation of goodwill	24	24
Profit from sale of fixed assets	(2)	-
Impairment in value of investments	513	914
Share of profit from associate company	(32)	(80)
	<u>10.589</u>	<u>7.520</u>
Decrease in stocks	401	430
Decrease/(increase) in debtors	644	(2.733)
Increase in creditors	403	208
	<u>12.037</u>	<u>5.425</u>
Cash generated from operations	12.037	5.425
Income taxes paid	(855)	(769)
<i>Net cash inflow from operating activities</i>	<u>11.182</u>	<u>4.656</u>
Cash flows from investing activities		
Payments to acquire intangible fixed assets	(34)	(68)
Payments to acquire tangible fixed assets	(3.975)	(4.816)
Payments to acquire share in subsidiary company	(195)	-
Payments to acquire share in associate company	-	(1)
Payments to acquire investments	-	(1)
Receipts from sales of tangible fixed assets	2	-
Dividends received	15	5
Exchange differences	22	253
Interest paid	(417)	(464)
<i>Net cash used in investing activities</i>	<u>(4.582)</u>	<u>(5.092)</u>
Cash flows from financing activities		
New loans raised	400	1.300
Loan repayments	(1.265)	(1.476)
Dividends paid	(1.881)	(1.343)
<i>Net cash used in financing activities</i>	<u>(2.746)</u>	<u>(1.519)</u>
Net increase/(decrease) in cash and cash equivalents	3.854	(1.955)
Cash and cash equivalents at 1 January	(5.518)	(3.563)
Cash and cash equivalents at 31 December	(1.664)	(5.518)

The notes of pages 34 to 48 form an integral part of the financial statements.





Cash Flow Statement

For the year ended 31 December 2004

	2004 £000	2003 £000
Cash flows from operating activities		
Profit before taxation	5.828	2.717
Adjustments for:		
Depreciation and amortisation charges	3.837	3.659
Interest expense	417	464
Exchange differences	(22)	(253)
Dividends received	(15)	(5)
Profit from sale of fixed assets	(2)	-
Impairment in value of investments	513	914
	<u>10.556</u>	<u>7.496</u>
Decrease in stocks	415	430
Decrease/(increase) in debtors	298	(2.733)
(Decrease)/increase in creditors	(212)	232
Cash generated from operations	<u>11.057</u>	<u>5.425</u>
Income taxes paid	(855)	(769)
<i>Net cash inflow from operating activities</i>	<u>10.202</u>	<u>4.656</u>
Cash flows from investing activities		
Payments to acquire intangible fixed assets	(30)	(68)
Payments to acquire tangible fixed assets	(2.602)	(4.816)
Payments to acquire share in associate company	-	(1)
Payments to acquire investments	-	(1)
Receipts from sales of tangible fixed assets	2	-
Dividends received	15	5
Exchange differences	22	253
Interest paid	(417)	(464)
<i>Net cash used in investing activities</i>	<u>(3.010)</u>	<u>(5.092)</u>
Cash flows from financing activities		
New loans raised	-	1.300
Loan repayments	(1.265)	(1.476)
Dividends paid	(1.881)	(1.343)
<i>Net cash used in financing activities</i>	<u>(3.146)</u>	<u>(1.519)</u>
Net increase/(decrease) in cash and cash equivalents	<u>4.046</u>	<u>(1.955)</u>
Cash and cash equivalents at 1 January	<u>(5.519)</u>	<u>(3.564)</u>
Cash and cash equivalents at 31 December	<u>(1.473)</u>	<u>(5.519)</u>

The notes of pages 34 to 48 form an integral part of the financial statements.





Notes to the Financial Statements

For the year ended 31 December 2004

1 Incorporation and Activities

The Company was incorporated in Cyprus in 1963 as a limited liability public company. The Company is based in Cyprus and its principal activities are the production of clinker, cement and other building materials for sale in the local and export markets.

2 Basis of presentation

The financial statements, which have been prepared in accordance with International Financial Reporting Standards and comply with the Companies Law, Cap. 113 and the Cyprus Stock Exchange Law and Regulations, are for the year ended 31 December 2004 and are expressed in thousands of Cyprus pounds.

3 Accounting policies

Accounting convention

The principal accounting policies which have been applied consistently in dealing with items which are considered material or critical in determining the results for the year or for stating the financial position of the Group and the Company are as follows:

Basis of preparation

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and investments.

Basis of consolidation

The financial statements of the Group consolidate the financial statements of the holding company and all the subsidiaries which are controlled by the holding company. The financial statements of all the companies of the Group are for the accounting year ended 31 December 2004.

Control is presumed to exist when the holding company controls more than the 50% of a subsidiary's voting capital, or it is in a position to govern the financial and operating policies of a subsidiary's Board of Directors, or it is in a position to control the appointment and removal of the majority of the members of the subsidiary's Board of Directors.

Where an entity ceases to be controlled during the year, its results are consolidated up to the date control ceased.

All the balances and transactions between the companies of the Group have been eliminated at consolidation.





Notes to the Financial Statements (continuation)

Associated companies

The consolidated profit and loss account includes the Group's share of the results of the associated company (Pyrga Quarry Ltd) according to the financial statements for the year ended on 31 December 2004. In the consolidated balance sheet the investments in the associated company Pyrga Quarry Ltd are stated according to the share of net assets which corresponds to the Group on the balance sheet date. The difference between the purchase cost of the shares in associated company and the share of net assets acquired on the date of acquisition is accounted as goodwill.

The investment in associate in the financial statements of the parent company is disclosed at the cost of acquisition.

Stocks

The cost of goods comprise all costs of purchase, costs of conversion and other costs incurred in bringing the goods to their present location and condition. The cost of purchase of goods comprises the purchase price, import duties, transport and other costs directly attributable to the acquisition.

Work in progress and finished goods are stated at the lower of production cost and net realisable value. The cost of production includes the direct costs of raw materials, energy costs and labour as well as a proportion of the indirect production costs such as depreciation and maintenance of factory buildings, machinery, plant and equipment and the cost of factory management and administration. Spare parts and consumables are stated at cost less provision for reduction in their value due to obsolescence. The weighted average cost method is used for the determination of the cost of goods.

Fixed assets and depreciation

Fixed assets are shown at cost or valuation less accumulated depreciation. Depreciation is provided on all fixed assets except land and assets under construction on a straight line basis at rates estimated to write off the cost or valuation of each asset over its expected remaining useful life, as follows:

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

On the disposal of a fixed asset the difference between its carrying amount and the proceeds from disposal of the asset is credited or debited to the profit and loss account for the year.

Debtors

Debtors are stated net of provisions for doubtful debts. Provision for doubtful debts is made only in respect of specific debts, the recoverability of which is considered doubtful.

Deferred expenditure

Expenditure incurred for the identification and development of raw material deposits is written off against profits at the rate at which these deposits are depleted. Expenditure for deposits which are not exploitable is written off in the year in which it is incurred.

Expenditure incurred for the increase of the Vassiliko port capacity is written off over a period not exceeding five years that is the expected useful life of this expenditure, which is lower than the period of the port lease.





Notes to the Financial Statements (continuation)

Investments in securities held

Securities held for trade

Securities held for trade are securities acquired either with the intention of generating profit from short-term price fluctuations or included in a portfolio in which a pattern of short-term profit taking exists.

Trading securities are initially recognised at cost and subsequently re-measured at fair value. Any unrealised gains and losses arising are recognised in the profit and loss account.

Securities available for sale

Securities available for sale are securities intended to be held for an undetermined period of time, but may be sold in response to needs for liquidity or fluctuations in interest rates, exchange rates or security prices.

These investments are initially recognised at cost and subsequently re-measured at fair value. The fair value of the investments in securities quoted on the Cyprus Stock Exchange is considered to be the mid-close price that is published by the Cyprus Stock Exchange.

Fair value for unquoted securities represents the amount for which an asset can be exchanged, or a liability to be paid during the course of a normal trading transaction. In cases where cost approximates the fair value then the cost is considered to be the fair value. Unrealised gains or losses arising from changes in the fair value of securities classified as available-for-sale are recognised in the revaluation of investments reserve. When the value of the investments is considered to be impaired the loss is written off to the profit and loss account of the year.

The appropriate classification of investments under the above categories is made at the time of acquisition.

The difference between the net receipts on disposal of the investments and their carrying value is transferred to the profit and loss account.

Investments in subsidiary companies

The investments in subsidiary companies are disclosed on the balance sheet of the parent company at the cost of acquisition.

Foreign currency

Transactions in foreign currencies are recorded using the rate of exchange ruling on the date of the transaction. Balances denominated in foreign currencies are converted to Cyprus pounds using the rate of exchange ruling on the balance sheet date. The exchange differences that arise are included in the profit and loss account.

Revaluation reserve

Surpluses arising from the revaluation of fixed assets are credited to a non-distributable reserve known as the revaluation reserve. Where depreciation charges are increased following a revaluation, an amount equal to such increase after the deduction for deferred taxation is transferred annually from this reserve to retained profits. On the disposal of a revalued fixed asset, any remaining revaluation surplus included in the revaluation reserve, which corresponds to the item, is also transferred to the retained profits.





Notes to the Financial Statements (continuation)

Government grants

Government grants are recognised when there is reasonable assurance that the company complies with the conditions attached and that the grants will be received. Government grants on capital expenditure are deducted from the cost of the assets to which they relate.

Maintenance and repair expenses

Expenditure on repairs and maintenance of property, plant, machinery and equipment made in order to restore or maintain future economic benefits of assets, is recognised as an expense when incurred.

Deferred taxation

Deferred taxation is provided in accordance with the revised International Accounting Standard no. 12, on all the temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amounts used for taxation purposes on the basis of the estimated rates that future tax will be payable.

Goodwill

Goodwill resulting from the acquisition of subsidiary and associate companies represents the difference between purchase consideration and fair value of the Group's share of net assets acquired and is shown as goodwill on the Balance Sheet. Goodwill is amortised through the Profit and Loss account using the straight line method over its expected useful life. The amortisation period is estimated at 20 years. The unamortised balance is reviewed at each Balance Sheet date to assess the probability of continuing future benefits.

Cash and cash equivalents

Cash and cash equivalents in the cash flow statement comprise of cash in hand and at bank and the bank overdrafts.

Taxation

The provision for income and defence tax is calculated on the taxable profit for the year in accordance with the tax rates that apply.

Revenue recognition

For the sale of goods, revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Dividends are recognised in the year they are received. Interest receivable and other income are recognised on an accrual basis.

Dividends

Dividends are recognised as a liability in the year in which they are declared.

Software

The cost and accumulated amortisation of computer software is disclosed separately as intangible assets. Computer software is amortised over a period of three years.





Notes to the Financial Statements (continuation)

4 Turnover

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

Turnover analysis:	Group		Company	
	2004 £000	2003 £000	2004 £000	2003 £000
Local cement sales	35.270	25.897	35.632	25.897
Export cement sales	3.238	7.675	3.238	7.598
Concrete sales	892	-	-	-
Freight charges	248	1.696	248	1.696
Other	19	-	19	77
	<u>39.667</u>	<u>35.268</u>	<u>39.137</u>	<u>35.268</u>

5 Other operating income

	2004 £000	2003 £000
Dividends receivable	15	5
Income from Vassiliko Port	320	418
Rent of land & machinery	77	133
Other	174	396
	<u>586</u>	<u>952</u>

6 Selling and distribution costs

	Group		Company	
	2004 £000	2003 £000	2004 £000	2003 £000
Freights on export sales	248	1.696	248	1.696
Other selling and distribution expenses	1.836	1.509	1.611	1.509
	<u>2.084</u>	<u>3.205</u>	<u>1.859</u>	<u>3.205</u>

Freights on export sales relate to export contracts on Cost + Freight basis and varies year by year according to the proportion of sales on C+F and FOB terms.

7 Profit from operations

	2004 £000	2003 £000
This is stated after charging:		
Directors remuneration as directors	19	19
Directors remuneration as executives	124	115
Staff costs	5.700	5.742
Depreciation of owned fixed assets	3.848	3.782
Amortisation of intangible fixed assets	43	77
Auditors' remuneration	13	13
	<u>199</u>	<u>200</u>
Average number of employees		





Notes to the Financial Statements (continuation)

8 Finance costs	Group		Company	
	2004 £000	2003 £000	2004 £000	2003 £000
Bank loans and overdrafts	417	453	415	453
Other loans	-	11	-	11
Exchange differences on foreign currency borrowings	(22)	(253)	(22)	(253)
	<u>395</u>	<u>211</u>	<u>393</u>	<u>211</u>

9 Taxation	Group		Company	
	2004 £000	2003 £000	2004 £000	2003 £000
Analysis of charge in year				
Current year tax:				
Income tax on profits of the year	816	480	816	480
Special contribution to defence fund	-	80	-	80
Share of tax from associate	1	5	-	-
Deferred tax	-	(1.138)	-	(1.138)
	<u>817</u>	<u>(573)</u>	<u>816</u>	<u>(578)</u>
Adjustments in respect of previous periods	(31)	(40)	(31)	(40)
	<u>786</u>	<u>(613)</u>	<u>785</u>	<u>(618)</u>

The Group is subject to income tax at 10% on the first £1,000,000 of its taxable income and 15% thereafter.

Factors affecting the income tax charge for period

	Group		Company	
	2004 £000	2003 £000	2004 £000	2003 £000
Profit on ordinary activities before tax	<u>5.815</u>	<u>2.797</u>	<u>5.828</u>	<u>2.717</u>
Tax for the year at the applicable tax rates				
Income tax at 10% and 15%	823	370	823	370
Special contribution for defence	-	80	-	80
	<u>823</u>	<u>450</u>	<u>823</u>	<u>450</u>
Effects of:				
Effect of non-taxable income	(7)	-	(7)	-
Change in tax rates	-	(1.028)	-	(1.028)
	<u>816</u>	<u>(578)</u>	<u>816</u>	<u>(578)</u>
Adjustments to tax charge in respect of previous periods	(31)	(40)	(31)	(40)
Share of tax from associate	1	5	-	-
Current tax charge for period	<u>786</u>	<u>(613)</u>	<u>785</u>	<u>(618)</u>

Changes in future tax rates

As from year 2005, the Company will be subject to income tax at the rate of 10% on all its taxable profits.





Notes to the Financial Statements (continuation)

10 Minority interest

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

11 Earnings per share

The calculation of earnings per share is based on profit after taxation of £ 5.038.000 (2003: £3.410.000) and on 53.736.153 shares being the weighted average number of shares in issue during the year.

12 Intangible assets

The Group	Goodwill £000	Software £000	Total £000
Cost			
At 1 January 2004	-	505	505
Additions	146	34	180
Disposals	-	-	-
At 31 December 2004	146	539	685
Amortisation			
At 1 January 2004	-	421	421
Provided during the year	4	39	43
On disposals	-	-	-
At 31 December 2004	4	460	464
Net book value			
At 31 December 2004	142	79	221
At 31 December 2003	-	84	84
The Company			
		Software £000	Total £000
Cost			
At 1 January 2004		505	505
Additions		30	30
At 31 December 2004		535	535
Amortisation			
At 1 January 2004		421	421
Provided during the year		39	39
At 31 December 2004		460	460
Net book value			
At 31 December 2004		75	75
At 31 December 2003		84	84





Notes to the Financial Statements (continuation)

13 Tangible fixed assets

The Group	Land and buildings £000	Vassiliko port £000	Plant and machinery £000	Total £000
Cost or valuation				
At 1 January 2004	18.825	14.021	62.994	95.840
Additions	611	143	3.271	4.025
Disposals	-	-	(28)	(28)
At 31 December 2004	19.436	14.164	66.237	99.837
Depreciation				
At 1 January 2004	500	453	35.352	36.305
Charge for the year on historical cost	117	145	2.834	3.096
Additional charge on revalued amounts	444	315	-	759
On disposals	-	-	(27)	(27)
At 31 December 2004	1.061	913	38.159	40.133
Net book value				
At 31 December 2004	18.375	13.251	28.078	59.704
At 31 December 2003	18.325	13.568	27.642	59.535
The Company				
Cost or valuation				
At 1 January 2004	18.707	14.021	62.957	95.685
Additions	445	143	2.017	2.605
Disposals	-	-	(28)	(28)
At 31 December 2004	19.152	14.164	64.946	98.262
Depreciation				
At 1 January 2004	500	453	35.352	36.305
Charge for the year on historical cost	115	145	2.782	3.042
Additional charge on revalued amounts	444	315	-	759
On disposals	-	-	(27)	(27)
At 31 December 2004	1.059	913	38.107	40.079
Net book value				
At 31 December 2004	18.093	13.251	26.839	58.183
At 31 December 2003	18.207	13.568	27.605	59.380
Freehold land at valuation included above not depreciated				7.663

The construction of the Vassiliko Port was paid for by the Company. The Cyprus Ports Authority, which according to the Cyprus Ports Authority Law is the owner of the port, leased it to the Company for a period of 50 years as from 1 January 1984.

The last revaluation of land and buildings and the Vassiliko port was performed in December 2002 by independent professional valuers Messrs Antonis Loizou & Associates.

The net book value of the revalued fixed assets that would have been included in the accounts had the assets not been revalued are £4.781.000 (2003: £4.452.000) for land and buildings and £4.124.000 (2003: £4.125.000) for Vassiliko port.





Notes to the Financial Statements (continuation)

14 Subsidiary companies

	Shareholding	Principal Activity
Vassiliko (Building Materials) Ltd	100%	Investment company
Venus Beton Ltd	51%	Dormant company
AES Atlas Etimo Skirodema Ltd	51%	Concrete production

AES Atlas Etimo Skirodema Ltd was registered in Cyprus on 7 May 2004 as a limited liability company. The issued share capital of AES Atlas Etimo Skirodema Ltd is 50.000 shares of £1,00 each. On 23 August 2004 Vassiliko (Building Materials) Ltd acquired the 51% of the issued share capital of AES Atlas Etimo Skirodema Ltd at cost of £195.000.

15 Associate companies

	2004 £000	2003 £000
Share of net assets	354	323
Goodwill		
Cost		
At 1 January	436	436
Addition	-	-
At 31 December	436	436
Amortisation		
At 1 January	59	35
Provided during the year	24	24
At 31 December	83	59
Net book value	353	377
Total investment in associates	707	700

Pyrga Quarry Ltd was registered in Cyprus on 5 December 1996 as a limited liability company. The company is specialised in the production of aggregates for ready mix concrete and other applications. The issued share capital of *Pyrga Quarry Ltd* is 500.000 shares of £1 each. On 9 August 2001 Vassiliko (Building Materials) Ltd acquired 30% of the issued share capital of *Pyrga Quarry Ltd*.

ENERCO - Energy Recovery Limited was registered in Cyprus on 5 November 2003 as a limited liability company with initial shareholders Vassiliko Cement Works Ltd and Hellenic Tzialis (Cyprus) Ltd each participating by 50%. The issued share capital of the company is 1.000 shares of £1 each. The purpose of the company is the implementation of technologies for recovery of energy from waste.





Notes to the Financial Statements (continuation)

16 Investments available for sale
The Group and the Company

	2004		2003	
	£000		£000	
At 1 January		1.637		2.145
Additions		-		1
Disposals		-		-
Revaluation at 31 December		(513)		(509)
At 31 December		1.124		1.637

	Cost		Valuation	
	2004	2003	2004	2003
	£000	£000	£000	£000
Listed investments	2.526	2.526	1.099	1.612
Unlisted investments at cost	25	25	25	25
	2.551	2.551	1.124	1.637

The unrealised loss of £513,000 from the decrease in the value of investments, being the difference between the acquisition cost and the valuation as at 31 December 2004 was written off to the profit and loss account of the year.

17 Stocks
The Group and the Company

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Raw materials and work in progress	1.105	1.463	1.091	1.463
Finished goods	1.562	1.732	1.562	1.732
Fuel stocks	1.407	1.346	1.407	1.346
Spare parts and consumables	6.073	6.007	6.073	6.007
	10.147	10.548	10.133	10.548

18 Debtors

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Trade debtors net of provisions	4.317	5.349	3.970	5.349
Deferred expenditure	-	136	-	136
Amount owed by associate companies	611	600	11	-
Amount owed by related companies	-	125	-	125
Other debtors	644	198	470	188
	5.572	6.408	4.451	5.798

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





Notes to the Financial Statements (continuation)

19 Amounts due from subsidiaries	2004 £000	2003 £000
Vassiliko (Building Materials) Ltd	905	710
Venus Beton Ltd	246	246
AES Atlas Etimo Skirodema Ltd	855	-
	<u>2.006</u>	<u>956</u>

Amounts owed by subsidiary companies bear no interest.

20 Share capital	2004 000		2003 000	
Authorised:				
Ordinary shares of £0,25 each	<u>60.000</u>		<u>60.000</u>	
	2004 No. of shares	2003 No. of shares	2004 £000	2003 £000
Allotted, called up and fully paid:				
Ordinary shares of £0,25 each	53.736.153	53.736.153	<u>13.434</u>	<u>13.434</u>

21 Reserves

Share premium	Group		Company	
	2004 £000	2003 £000	2004 £000	2003 £000
At 1 January	488	488	488	488
Shares issued	-	-	-	-
At 31 December	<u>488</u>	<u>488</u>	<u>488</u>	<u>488</u>

Revaluation reserve	Group		Company	
	2004 £000	2003 £000	2004 £000	2003 £000
At 1 January	17.653	17.932	17.653	17.932
Transfer to deferred tax	445	(674)	445	(674)
Transfer to the profit and loss account	(759)	395	(759)	395
At 31 December	<u>17.339</u>	<u>17.653</u>	<u>17.339</u>	<u>17.653</u>

Revaluation of investments available for sale	Group		Company	
	2004 £000	2003 £000	2004 £000	2003 £000
At 1 January	(1.612)	(2.017)	(1.612)	(2.017)
Revaluation of investments	(513)	-	(513)	-
Transfer to profit and loss of year	513	405	513	405
At 31 December	<u>(1.612)</u>	<u>(1.612)</u>	<u>(1.612)</u>	<u>(1.612)</u>





Notes to the Financial Statements (continuation)

Profit and loss account	Group		Company	
	2004 £000	2003 £000	2004 £000	2003 £000
At 1 January	30.201	28.529	30.186	28.589
Profit for the year	5.038	3.410	5.043	3.335
Dividends	(1.881)	(1.343)	(1.881)	(1.343)
Transfer from revaluation reserve	759	(395)	759	(395)
At 31 December	<u>34.117</u>	<u>30.201</u>	<u>34.107</u>	<u>30.186</u>
Total reserves at 31 December	50.332	46.730	50.322	46.715

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

The transfer from revaluation reserve to the retained profits represents the additional depreciation with which the profit and loss account was charged as a result of the revaluation of fixed assets, net of deferred taxation.

22 Loans	Group		Company	
	2004 £000	2003 £000	2004 £000	2003 £000
Analysis of maturity of debt:				
Within one year or on demand	1.142	1.257	1.092	1.257
Between two and five years	1.972	2.873	1.772	2.873
After five years	150	-	-	-
	<u>3.264</u>	<u>4.130</u>	<u>2.864</u>	<u>4.130</u>

Loans are denominated in Cyprus Pounds, United States Dollars and Euro. The bank loans are secured by fixed charges on plant and machinery of the Company.

The rate of interest payable on the above loans is floating and is determined for periods of three months based on the London Interbank Offered Rate and the Central Bank of Cyprus base rate. At 31 December 2004 the prevailing rate of interest for these loans was on average 5,16% (2003: 4,31%).

23 Deferred taxation	2004	2003
	£000	£000
Accelerated capital allowances	3.450	3.884
Revaluation of fixed assets	991	1.002
	<u>4.441</u>	<u>4.886</u>
	2004	2003
	£000	£000
At 1 January	4.886	5.350
Deferred tax charge in profit and loss account	-	(1.138)
Transfer to revaluation reserve	(445)	674
At 31 December	<u>4.441</u>	<u>4.886</u>





Notes to the Financial Statements (continuation)

24 Trade and other payables	Group		Company	
	2004 £000	2003 £000	2004 £000	2003 £000
Trade creditors	4.389	3.498	3.957	3.498
Amounts owed to related companies	2	22	-	22
Corporation tax	(18)	465	(18)	465
Other creditors	-	86	-	19
Accruals and deferred income	-	216	-	216
	<u>4.373</u>	<u>4.287</u>	<u>3.939</u>	<u>4.220</u>

25 Bank overdrafts

Part of bank overdrafts is secured by a fixed charge on plant and machinery of the Company.

26 Transactions with related companies

The Company has entered into an agreement with Hellenic Mining Company, the scope of which is the provision of consultancy services and other services. The fees payable by the Company for these services are £120.000 per annum. The duration of the agreement is 5 years and expires on 30 June 2009. Further, the Company enters into various other transactions with the Hellenic Mining Company Group. These transactions, which are entered into at mutually agreed prices include the provision of port facilities, hiring of machinery and the purchase and sale of spare parts and other goods. The total trading transactions supplied and purchased during 2004 including the above agreement amounted to £435.000 (2003: £451.000).

The Company has entered into an agreement with Italcementi, S.p.A Italy, holding company of Italmud Cement Company Ltd and Compagnie Financiere et de Participations (Cofipar), the scope of which is the provision by Italcementi to the Company of consultancy services of technical nature. The duration of the agreement is 5 years and expires on 31 December 2005. The fees payable by the Company for these services are €600.000 per annum. Apart from this agreement, during 2004, the Company purchased from Italcementi equipment and spare parts and other services amounting to £5.000 (2003: £64.000).

During 2004, the Company conducted trading transactions concerning the purchase of goods with KEO group, amounting to £30.000 (2003: £26.000).

27 Dividends	2004 £000	2003 £000
Interim dividend paid at 1,5 cents (2003: 1,5 cents) per share	806	806
Additional dividend paid at 2 cent (2003: 1 cents) per share	1.075	537
	<u>1.881</u>	<u>1.343</u>

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





Notes to the Financial Statements (continuation)

28 Directors' shareholdings

At 31 December 2004 the proportions of shares held directly or indirectly by the directors and their spouses were as follows:

	Fully paid shares
P. Hadjipantelis	0,0005%
G.E. Paraskevaides	0,4211%
G.A. Sideris	0,0055%
	<u>0,4271%</u>

There were no fluctuations in the above shareholdings during the period from 31 December 2004 to the date 30 days prior to the date of the notice of the annual general meeting of the Company.

At 31 December 2004 the Company had no material agreements in which directors of the Company, or their spouses or minor children, had a direct or indirect interest.

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

During the period of 30 days prior to the date of the notice of the annual general meeting the following shareholders were holding at least 5% of the nominal value of the issued share capital.

	Fully paid shares
Hellenic Mining Company Ltd (Related company)	17,50%
KEO Ltd (Related company)	8,62%
Gypsum and Plasterboards Company Ltd (Related company)	6,40%
Italmed Cement Company Ltd (Related company)	20,00%
Compagnie Financiere et de Participations (Related company)	13,00%
Anastasios G. Leventis Foundation	7,15%
	<u>72,67%</u>

30 Capital commitments

	2004 £000	2003 £000
Amounts contracted for but not provided in the accounts	<u>120</u>	<u>117</u>





Notes to the Financial Statements (continuation)

31 Employee contribution schemes

The Company has two schemes, the Vassiliko Cement Works Ltd Employees' Provident Fund and the Vassiliko Cement Works Ltd Employees' Medical Fund. The two schemes are funded separately and prepare their own financial statements. According to these schemes, the employees are entitled to payment of certain benefits upon retirement, prior termination of service or sickness. These are defined contribution schemes and the contributions of the Company for the year were £366.000 (2003: £370.000).

32 Financial instruments

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

Interest rate risk

The interest rate and repayment terms of the loans are disclosed in note 22.

Credit risk

The credit risk is limited because the trade debtors are shown after the provision for bad and doubtful debts.

Exchange rate risk

The exchange rate risk from the fluctuation of the exchange rates against the Cyprus Pound that affects the value of the debtors and exports in foreign currency is limited because the Company has liabilities and income in similar currencies.

Fair values

The fair value of the investments in securities quoted on the Cyprus Stock Exchange is disclosed in note 16. The fair value of the other monetary assets and liabilities are approximately the same as their book values.

33 Post balance sheet events

There were no material post balance sheet events which have a bearing on the understanding of the financial statements.





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