VASSILIKO CEMENT WORKS
PUBLIC COMPANY LTD

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS 2005

Contents

Officers, Professional Advisers and Bankers

Directors	:	ANDREAS PANAYIOTOU	(Executive Chairman)
		MICHEL LEFEBVRE	(Executive Vice-Chairman)
		GEORGIOS A. SIDERIS	(General Manager)
		JEAN-YVES GESTIN	
		STEFOS CHR. KALOYEROS	
		GIORGIO GHINAGLIA	
		PAMBOS IOANNIDES	
		PANAYIOTIS HADJIPANTELIS	
		FRIXOS SAVVIDES	
Financial Manager	:	GEORGIOS S. SAVVA	
Secretary	:	MARIA MAVRIDOU	
Auditors	:	KPMG	
Legal Advisers	:	TASSOS PAPADOPOULOS & CO	
Bankers	:	ALPHA BANK LTD BANK OF CYPRUS PUBLIC COMPANY LTD COMMERCIAL BANK OF GREECE S.A. HELLENIC BANK PUBLIC COMPANY LTD NATIONAL BANK OF GREECE (CYPRUS) LTD THE CYPRUS POPULAR BANK PUBLIC COMPANY LTD	
Registered office	:	1A, KYRIAKOS MATSIS AVENUE P.O. BOX 22281 CY-1519 LEFKOSIA CYPRUS	
Registered number	:	1210	
Internet website	:	www.vassiliko.com	

Notice of Annual General Meeting

The 40th annual general meeting of the shareholders of Vassiliko Cement Works Public Company Ltd will be held at the HILTON PARK Hotel in Lefkosia, on Tuesday 30 May 2006 at 3:30 p.m. to transact the following business:

1. Consider the annual report of the Board of Directors for the year 2005.
2. Receive, consider and approve the annual financial statements and the report of the auditors for the year 2005.
3. Approve the additional dividend for the year 2005.
4. Elect new directors in the place of those who retire.
5. Fix the remuneration of the directors for the year 2006.
6. Re-appoint Messrs KPMG as the auditors of the Company and fix the remuneration for the year 2006.
7. Transact any other business which, in accordance with the Company's Articles of Association, can be presented at the annual general meeting.

By order of the Board
M. MAVRIDOU
Secretary

Lefkosia, 27 April 2006.

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 2005 will be subject to the approval of the annual general meeting and will be paid to the shareholders who will be registered on 13 June 2006. In accordance with the rules of securities dealing, the transactions that will be concluded during the two stock exchange meetings immediately preceding 13 June 2006 (8 June – 9 June 2006) 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 29 June 2006.

Notice of Annual General Meeting

Explanatory notes
The formal Notice of the 2006 AGM is set out above. The Notice asks Vassiliko Cements Works shareholders to approve a number of items of business. For your information, the explanatory notes below summarise the purpose of each Resolution to be voted on by Vassiliko Cement Works shareholders at this year's AGM.

Resolution 1: To consider the Annual Report
The Chairman will present the Annual Report of the Board of Directors for the year ended 31 December 2005 to the meeting.

Resolution 2: To receive consider and approve the Annual Financial Statements and the Report of the Auditors
The Chairman will present the Annual Financial Statements and Messrs KPMG will present their Audit Report for the year ended 31 December 2005 to the meeting.

Resolution 3: Dividend
The Directors have proposed a final dividend of 2 cents per Ordinary Share. If approved at the AGM, the dividend will be paid to the shareholders who will be registered on 13 June 2006.

Resolutions 4: Re-appointment of Directors
In accordance with Company's Articles of Association, as a Director appointed since the 2005 Mr. Frixos Savvides will be standing down and offering himself for re-appointment by the Company shareholders. Mr. Frixos Savvides was appointed a Non-Executive Director on 27 April 2006. In addition Messrs Stefos Kaloyeros, Georgios Sideris and Jean-Yves Gestin are the Directors who will be retiring by rotation this year and are standing for re-appointment in accordance with the Company's Articles of Association.

Brief details of all Directors appear on page 13 of the Annual Report.

Resolution 5: To fix the remuneration of the Directors
The Shareholders are asked to approve the remuneration of the Directors for the year 2006 to remain the same as that for the previous year i.e.
£4.000 for the Chairman
£3.000 for each of the Directors

Resolution 6: Re-appointment of Auditors
This resolution relates to the re-appointment of KPMG as the Company's auditors to hold office until the next AGM of the Company, and to authorise the Directors to set their remuneration.

Declaration of the members of the Board of Directors and the company officials responsible for the drafting of the financial statements

We the members of the Board of Directors and the company officials responsible for the drafting of the financial statements of Vassiliko Cement Works Public Company Ltd for the year ended 31 December 2005, based on our knowledge, which is the product of careful and conscientious work, declare that the particulars which are specified in the consolidated financial statements are true and complete.

Members of the Board of Directors
Executive
ANDREAS PANAYIOTOU
MICHEL LEFEBVRE
GEORGIOS A. SIDERIS

Non executive
JEAN-YVES GESTIN
STEFOS CHR. KALOYEROS
GIORGIO GHINAGLIA
PAMBOS IOANNIDES
PANAYIOTIS HADJIPANTELIS

Responsible for drafting the financial statements

GEORGIOS SAVVA Financial Manager

27 April 2006

Directors' Report

The Board of Directors of Vassiliko Cement Works Public Company Ltd (the 'Company') presents to the members its annual report together with the audited financial statements for the year ended 31 December 2005.

Financial statements
The consolidated financial statements for the year 2005 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 through its subsidiary and associated companies.

Review of developments, position and performance of the operations
During the past year, the industry faced the challenge of the increasing energy costs which affected negatively the total production cost. The profits of the Company for 2005, however, improved compared to 2004, as a result of a series of development measures taken, aiming towards the mitigation of the effects of the increased energy cost that affected significantly the industry as well as many other sectors of the economy.

The marginal growth of the local market, where the total cement sales during 2005 reached 1,59 million tones compared to 1,54 million tones during the previous year, an increase of 3,4%, had a positive contribution. The cement and clinker sales of our Company in the Cyprus market reached 1,16 million tones compared to 1,1 million tones during the previous year, while the export sales reached 246.000 tones compared to 205.000 tones during 2004. As a result, the total cement and clinker sales of the Company amounted to 1,4 million tones for the year 2005 compared to 1,3 tones for 2004, an increase of 8%.

Beyond the aforementioned increase in total cement and clinker sales achieved in 2005, a new cement product with increased strength, which is also friendlier to the environment, was successfully introduced. With the introduction of this new product, the number of offered cement types to the local market was increased to six, offering more quality choices to the Cypriot consumer.

The implementation of the investment program of the last few years in new technology, in connection with other measures that were applied for the optimisation of the production process, like the use of renewable energy sources and the operation of the power station on the co-generation basis, covering the 25% of the electricity needs of the plant, moderated the negative effect of the increasing cost of energy. Following the successful results of the initial investment in power generation the Company will proceed during the current year with a further investment of £1,5 million to double the capacity of its power station to 10MW.

In addition to the above actions that are in full compliance with the environmental policy of the Company for sustainable development, the Company, as it is already known, will proceed with the construction of a new clinker silo with total capacity of 90.000 tones. The total investment is expected to reach £6 million and will be completed in 2007. This project is expected to help enormously the efforts for the protection of the environment, reducing significantly the dust emission levels, while it will contribute significantly towards the improvement of the final product quality and to the reduction of operating cost.

Financial results

The results of the Group are presented in the consolidated profit and loss account. The net profit after taxation for the year ended 31 December 2005 amounted to £6.926.000 compared to a net profit of £5.029.000 in 2004. The Board of Directors proposes the payment of a dividend as shown below and the transfer of the net profit for the year to the profit and loss reserve.

Dividends

Following the payment of an interim dividend of £806.000 in December 2005, 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 2005 will amount to £1.881.000 or 3,5 cents per share, which equals the dividend payment out of the profits of 2004.

Main risks and uncertainties

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

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

Future developments

Overall, based on recent trends, markets are expected to remain favourable in 2006.

As far as costs are concerned, after the record increases of the last two years, we expect energy and logistics costs to further increase in 2006. As in previous years, risk management policies and performance programs should help to mitigate the impact of these increases.

Share capital

During the year there were no changes to the share capital of the Company.

Branches

During the year the Group did not operate any branches.

Board of Directors

The members of the Board of Directors on the date of the report appear on page 1. In accordance with the Company's Articles of Association (Article 92), at the present general meeting Messrs Stefos Kaloyeros, Georgios Sideris and Jean-Yves Gestin retire from office by rotation and being eligible, offer themselves for re-election.

Mr. Frixos Savvides, who was appointed by the Board of Directors on 27 April 2006 in order to fill the vacancy created by the resignation of Mr. Theodoros Aristodemou, is subject to retirement (Article 97) at the present general meeting and, being eligible, offers himself for re-election.

The Directors who served during the period from 26 May 2005, the date of the last annual general meeting, till this date were the following:

Andreas Panayiotou	
Michel Lefebvre	
Georgios A. Sideris	
Jean-Yves Gestin	
Theodoros Aristodemou	(resigned on 27 April 2006)
Stefos Chr. Kaloyeros	
Giorgio Ghinaglia	
Pambos Ioannides	
Panayiotis Hadjipantelis	
Frixos Savvides	(appointed on 27 April 2006)

The responsibilities of the Directors as members of the Board Committees are disclosed in the Corporate Governance Report.

There were no material changes to the compensation of the Board of Directors.

Post balance sheet events
There were no material post balance sheet events.

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, 27 April 2006.

On behalf of the Board of Directors
ANDREAS PANAYIOTOU
Executive Chairman

Corporate Governance

Section A

The Company has adopted and fully implements the Corporate Governance Code issued by the Cyprus Stock Exchange 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 2005 comprised three executive and six non-executive directors and is responsible to the shareholders for the proper management of Vassiliko Cement Works Public Company Ltd and its subsidiaries. All non-executive directors are considered to be independent of management according to the principles laid in the 1st Edition of 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. The Board of Directors convened 7 times during 2005. 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 Executive Chairman and the Director and General Manager.

The executive Chairman has, among others, the following responsibilities and role:

(a) Determines, in collaboration with the General Manager, the Agenda of the meeting of the Board of Directors.

(b) Chairs the Meetings of the Board of Directors and the General Meetings of the Shareholders of the Company.

(c) Reviews the information and documents and confirms their relevance in order to be submitted to the Members of the Board of Directors prior to the Board Meetings.

(d) Has periodic meetings with the Management of the Company to discuss various specific subjects.

(e) Reviews the strategy of the Company with the Executive Vice- Chairman and the General Manager of the Company before the meeting of the Board of Directors convened to consider the above subject.

(f) Represents the Company in all its major dealings.

(g) Meets with the major shareholders of the Company and conveys their suggestions to the Board of Directors.

(h) Together with the General Manager represent the Company at various meetings for the promotion of the strategic targets of the Company.

(i) Cooperates with the Executive Vice-Chairman and the General Manager of the Company to determine and form the strategic targets of the Group according to the developments of the sector within which the Group operates and secure the thorough appraisal of the Company's strategic or other development proposals and the presentation thereof to the Board of Directors for final approval.

(j) Confirms the existence of efficient system of control of the progress of implementation of the above targets and of the updating of the Board of Directors.

(k) In understanding with the Executive Vice Chairman evaluates and promotes various other proposals of the General Manager.

The General Manager of the Company, among others, has the following responsibilities:

(a) Manages the Company according to the strategy and the commercial targets determined by the Board of Directors.

(b) Safeguards the daily smooth operation of the Company in line with the policy, the targets and the budgets approved by the Board of Directors.

(c) Ensures timely and effective implementation of the strategic resolutions of the Board of Directors in understanding with the Executive Chairman and the Executive Vice Chairman of the Group.

(d) In co-operation with the Executive Chairman manages the business development of the Company's activities, its subsidiary and related companies.

(e) Is responsible to inform the Executive Chairman and the Executive Vice-Chairman, in regular intervals of time, regarding all the major issues of the Company, including the current status of the operations of the Company.

Appointments to the Board

The Nominations Committee is chaired by Dr A. Panayiotou (Executive Chairman) and is composed of four other directors, Messrs M. Lefebvre (Executive Vice-Chairman), P. Ioannides (Independent non-Executive Director), P. Hadjipantelis (Independent non-Executive Director) and St. Kaloyeros (Independent non-Executive Director). The Nominations Committee is responsible for the selection and nomination of any new director, for the Board's consideration. The Committee is responsible to carry out a selection process. Upon the appointment of a new director, appropriate training is provided as required. In accordance with the Articles of Association of the Company and the Corporate Governance Code, the directors retire every three years by rotation and, if eligible, may offer themselves for re-election. The Board has set the 75th year of age as the year of retirement.

Relations with shareholders

Importance is attached to maintaining a dialogue with the Company's institutional shareholders. Meetings are held with analysts and institutional shareholders on a regular basis. The annual general meeting is used as a forum for communicating with shareholders, providing briefings on the Company's performance during the year under review and current business activity. There will be 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 during the year the Internal Auditors prepare Internal Audit Reports addressed to the Audit Committee which informs the Board through its Annual Internal Audit Report. According to the Internal Auditors Reports the systems of internal control do not present any significant weaknesses. The Board has reviewed the key risks inherent in the Group, together with the operating, financial and compliance controls that have been implemented to mitigate those key risks. However, any system of internal control can provide only reasonable and not absolute assurance against material misstatement or loss. The Board has put in place an organisation structure with clearly defined lines of accountability and delegated authority. The principles have been designed to establish clear local operating autonomy within a framework of central leadership, stated aims and objectives. Procedures 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-Independent non-Executive Director), Th. Aristodemou (Independent non-Executive Director) (resigned on 27th April 2006), St. Chr. Kaloyeros (Independent non-Executive Director), and P. Hadjipantelis (Independent non-Executive Director). 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.

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 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 P. Hadjipantelis (Independent non-Executive Director), P. Ioannides (Independent non-Executive Director), and J. Y. Gestin (Independent non-Executive Director). The Committee will usually meet at least once a year. The Group Executive Chairman and Vice-Chairman will normally be invited to attend its meetings in order to make recommendations regarding the remuneration for the executive directors (other than their self). External legal and consultancy advice is obtained when necessary. The Group Executive Chairman and Vice-Chairman are not present when their own remunerations are discussed.

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
Up to £50.000	2
Between £50.000 and £100.000	1

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 2005 were £3.000 and £4.000 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 next shareholders Annual General Meeting Messrs Stefos Kaloyeros (Independent non-Executive Director), Jean-Yves Gestin (Independent non-Executive Director) and Georgios Sideris (IGeneral Manager-Executive Director) shall retire from office by rotation and, being eligible, may offer themselves for re-election.

Mr Frixos Savvides, who was appointed by the Board of Directors on 27 April 2006 in order to fill the vacancy created by the resignation of Mr Theodoros Aristodemou, is subject to retirement (Article 97) at the next General Meeting and, being eligible, shall offer himself 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, 27 April 2006.

Directors Curriculum vitae

Andreas Panayiotou – Executive Chairman

Dr. Andreas Panayiotou was born in Nicosia, Cyprus in 1940. He studied Natural Science and Geography at the University of Athens, Greece (First Class Honours Degree), and Mining Geology – Mineral Exploration – Economic Geology at the Imperial College of Science and Technology, London (M.Sc.) and the University of New Brunswick, Canada (Ph.D.).

In 1964 he joined the Geological Survey Department of Cyprus and in 1981 was promoted to Senior Geologist and appointed Head of the Economic Geology – Geophysics – Geological Mapping Sector of the Department. In 1996 he was promoted to the post of Director of Administration and appointed Head of the Natural Resources Sector of the Ministry of Agriculture, Natural Resources and Environment.

In 1998 Dr. Panayiotou became Permanent Secretary and served at the Ministries of Justice and Public Order, and Interior.

In May 2002 he was appointed by the President of the Republic of Cyprus as Minister of the Interior where he served until the end of February 2003.

In 2003 he was appointed Member of the Board of Directors of the Hellenic Technical Enterprises Ltd, and Chairman of the Hellenic – Tzilalis (Cyprus) Ltd. In 2004 Dr. Panayiotou was appointed Member of the Board of Directors of the Hellenic Bank (Finance) Ltd, and in April 2005 Member of the Board of Directors of the Hellenic Bank Public Company Ltd. In June 2005 he was elected Chairman of the same Bank.

Dr. Panayiotou has also served as Chairman of the Association of Geologists and Mining Engineers (1980 – 1986, 1988 – 1993), Member of the Management Committee of the Scientific Technical Chamber of Cyprus (1992 – 1996) and the Discipline Committee of the same Chamber (1996 – 1999), Chairman of the Board for the Consideration of the Town Planning Deviation (2000 – 2002) and Chairman of the Board of Management of the English School, Nicosia (1998 to date).

Dr. Andreas Panayiotou has published more than 30 papers in scientific books and journals about geology, mineral and water resources and has edited three geology books.

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.

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.

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.

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 55 years old. He is a graduate engineer, married and father of a 30 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.

Stefos Chr. Kaloyeros - Director
Mr Stefos Kaloyeros was born in Karavostasi in 1933. He is a graduate of the Pancyprian Gymnasium in Nicosia, as well as of the Lougbhorough 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 Public Company Ltd.

Panayiotis Hadjipantelis – Director
Mr Panayiotis Hadjipantelis is the Chief Financial Officer 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 Public Accountants of Cyprus.

Mr Hadjipantelis is the Executive Chairman of the Hellenic Mining Public Company Ltd and of the Hellenic Technical Enterprises Ltd and a member of the Board of Directors of the following companies: Athena Cyprus Investments Ltd, Hermes Airports 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.

Frixos Savvides – Director
Mr. Frixos Savvides was born in Limassol, in 1951. He graduated the Pultney College and the Wallbrook College. Mr. Savvides is a Member of the Institute of Chartered Accountants of England and Wales.

In 1977 Mr. Savvides joined Summers Morgan & Co Chartered Accountants (London) and in 1978 Touche Ross & Co, Chartered Accountants (Limassol) as Manager.

In 1979 Mr. Savvides set up the practice of Savvides & Partners / PKF, where he was the Managing Partner until 1999. He was responsible for all aspects of the operations of the firm, and the administration of clients with broad experience in consulting.

Mr. Savvides served the Ministry of Health of the Republic of Cyprus as Minister of Health, from 1999 to 2003.

He is the Vice-Chairman of the Board of Directors of Cyprus Airways, and of multinational companies operating in the sectors of shipping, energy, insurance and international trade.

Mr Savvides is the President of Apollon Football Club and member of the Rotary Club of Limassol/Amathusia. He has also served as Chairman of the Anti-Drug National Committee and as a member of the Board of Directors of Cyprus Telecommunications Authority.

AUDITORS' REPORT TO THE MEMBERS OF

VASSILIKO CEMENT WORKS PUBLIC COMPANY LTD

Report on the financial statements

1. We have audited the consolidated financial statements of Vassiliko Cement Works Public Company Limited (the Company) and its subsidiaries (the Group) on pages 17 to 38, which comprise the consolidated balance sheet as at 31 December 2005 and the consolidated income statement, consolidated statement of recognised income and expense and consolidated statement of cash flows 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.

2. 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.

3. In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2005 and of its financial performance and its cash flows for the year ended in accordance with International Financial Reporting Standards as adopted by the EU and International Financial Reporting Standards as issued by the IASB and the requirements of the Cyprus Companies Law, Cap. 113.

Report on other legal requirements

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

Lefkosia, 27 April 2006.

KPMG
Chartered Accountants

Consolidated Income Statement
For the year ended 31 December 2005

	Note	2005 £000	2004 £000
Revenue	2	**45.870**	39.667
Cost of sales		**(33.998)**	(28.865)
Gross profit		**11.872**	10.802
Other operating income	3	**794**	571
Distribution expenses	4	**(2.278)**	(2.084)
Administrative expenses		**(1.434)**	(1.431)
Other operating expenses		**(975)**	(1.182)
Operating profit before financing costs	5	**7.979**	6.676
Impairment in value of investments	14	**-**	(513)
Financial income	6	**19**	15
Financial expenses	6	**(194)**	(395)
Net financing costs		**(175)**	(380)
Share of profit from associate		**47**	32
Profit before tax		**7.851**	5.815
Income tax expense	7	**(925)**	(786)
Profit for the financial year		**6.926**	5.029
Attributable to:			
Equity holders of the parent		**6.926**	5.038
Minority interest	20	**-**	(9)
Profit for the financial year		**6.926**	5.029
Basic and diluted earnings per share (cents)	8	**12,9**	9,4

Consolidated Statement of Recognised Income and Expense
For the year ended 31 December 2005

	Note	2005 £000	2004 £000
Change in fair value of equity securities available for sale	14	**570**	-
Increase of deferred tax provision on revaluation of land	22	**51**	445
Special contribution for defence		**(85)**	**-**
Net income regognised directly in equity		**536**	445
Profit for the year		**6.926**	5.029
Total recognised income and expense for the year		**7.462**	5.474
Attributable to:			
Equity holders of the parent		**7.462**	5.483
Minority interest		**-**	(9)
Total recognised income and expense for the year		**7.462**	5.474

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

Consolidated Balance Sheet
as at 31 December 2005

	Note	2005 £000	2004 £000
Assets			
Property, plant and equipment	9	**57.685**	57.060
Intangible assets	11	**323**	221
Investment property	10	**2.644**	2.644
Investments in associates	13	**751**	707
Other investments	14	**1.693**	1.123
Total non-current assets		**63.096**	61.755
Inventories	15	**8.146**	10.147
Income tax receivable		**-**	18
Trade and other receivables	16	**6.391**	5.572
Cash and cash equivalents	17	**2.674**	35
Total current assets		**17.211**	15.772
Total assets		**80.307**	77.527
Equity			
Issued capital	18	**13.434**	13.434
Reserves	19	**55.911**	50.330
Total equity attributable to equity holders of the parent		**69.345**	63.764
Minority Interest	20	**-**	(33)
Total equity		**69.345**	63.731
Liabilities			
Interest-bearing loans and borrowings	21	**314**	2.123
Deferred tax liabilities	22	**4.095**	4.440
Total non-current liabilities		**4.409**	6.563
Bank overdraft	17	**216**	1.699
Interest-bearing loans and borrowings	21	**893**	1.142
Income tax payable		**187**	-
Trade and other payables	23	**5.257**	4.392
Total current liabilities		**6.553**	7.233
Total liabilities		**10.962**	13.796
Total equity and liabilities		**80.307**	77.527

The financial statements were approved by the Board of Directors on 27 April 2006.

ANDREAS PANAYIOTOU
MICHEL LEFEBVRE } Directors

Consolidated Statement of Cash Flows
For the year ended 31 December 2005

	Note	2005 £000	2004 £000
Cash flows from operating activities			
Profit for the year		**6.926**	5.029
Adjustments for:			
Depreciation and amortisation charges		**4.163**	3.915
Impairement in value of investments		**-**	513
Interest income		**(19)**	-
Dividends received		**-**	(15)
Interest expense		**160**	417
Exchange differences		**34**	(22)
Negative minority transferred to income statement		**33**	-
Share of profit of associates		**(47)**	(32)
Gain on sale of property, plant and equipment		**(34)**	(2)
Income tax expense		**925**	786
Operating profit before changes in working capital and provisions		**12.141**	10.589
(Increase)/decrease in trade and other receivables		**(1.171)**	644
Decrease in inventories		**2.001**	401
Increase in trade and other payables		**1.218**	403
Cash generated from operations		**14.189**	12.037
Interest paid		**(160)**	(417)
Income taxes paid		**(1.097)**	(855)
Net cash inflow from operating activities		**12.932**	10.765
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**42**	2
Interest received		**19**	-
Dividends received		**-**	15
Acquisition of subsidiary company, net of cash acquired		**(430)**	(195)
Acquisition of property, plant and equipment	9	**(4.388)**	(3.975)
Acquisition of intangibles		**(81)**	(34)
Exchange differences		**(34)**	22
Net cash used in investing activities		**(4.872)**	(4.165)
Cash flows from financing activities			
Proceeds from new loans raised		**1.003**	400
Repayment of loans		**(3.060)**	(1.265)
Dividends paid	25	**(1.881)**	(1.881)
Net cash used in financing activities		**(3.938)**	(2.746)
Net increase in cash and cash equivalents		**4.122**	3.854
Cash and cash equivalents at 1 January		**(1.664)**	(5.518)
Cash and cash equivalents at 31 December	17	**2.458**	(1.664)

Notes to the Consolidated Financial Statements
For the year ended 31 December 2005

1 Significant accounting policies

Vassiliko Cement Works Public Company Ltd (the "Company") is a company domiciled in Cyprus. The consolidated financial statements of the Company for the year ended 31 December 2005 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in assoicates.

The financial statements were authorised for issue by the directors on 27 April 2006.

a. Statement of compliance
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). The consolidated financial statements comply with both theses reporting frameworks because at the time of their preparation all applicable IFRSs issued by the IASB have been adopted by the EU through the endorsement procedure established by the European Commisssion. In addition, the consolidated financial statements have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113.

b. Basis of preparation
The financial statements are presented in Cyprus Pounds, rounded to the nearest thousand. They are prepared on the historical cost basis, except that the following assets are stated at their fair value: Land and buildings, Vassiliko port, financial instruments classified as available for sale and investment property.

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

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

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

The accounting policies have been applied consistently by Group entities.

c. Basis of consolidation

i. Subsidiaries

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

ii. Associates

Assoiciates are those entities in which the Group has significant influence but no control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive oblications or made payments on behalf of an associate.

iii. Transactions eliminated on consolidation

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

d. Foreign currency transactions

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

e. Property, plant and equipment

i. Owned assets

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

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

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

ii. Subsequent costs

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

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

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

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

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment (see note 11) . In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

Negative goodwill arising on an acquisition is recognised directly in profit or loss.

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

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

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

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

Computer software	3 years

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

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

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

ii. Investment property

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

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

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

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

h. Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses (see accounting policy k).

i. Inventories

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

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

j. Cash and cash equivalents

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

k. Impairment

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

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

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

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

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

l. Interest-bearing borrowings
Interest- bearing borrowings are stated at cost.

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

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

o. Trade and other payables
Trade and other payables are stated at cost.

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

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

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

q. Expenses
i. Operating lease payments
Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

ii. Net financing costs

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

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

r. Income tax

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

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

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

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

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

s. Segmental reporting

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

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

2 Revenue

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

Revenue analysis:	2005 £000	2004 £000
Local cement sales	**38.764**	35.270
Export cement sales	**4.516**	3.238
Concrete sales	**2.506**	892
Freight charges	**-**	248
Other	**84**	19
	45.870	39.667

3 Other operating income

	2005 £000	2004 £000
Income from Vassiliko Port	**432**	320
Rental of investment property	**191**	77
Gain on sale of property, plant and equipment	**34**	2
Other	**137**	172
	794	571

4 Distribution expenses

	2005 £000	2004 £000
Freights on export sales	**-**	248
Other selling and distribution expenses	**2.278**	1.836
	2.278	2.084

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.

5 Operating profit before financing costs

This is stated after charging:	2005 £000	2004 £000
Directors remuneration as directors	**28**	19
Directors remuneration as executives	**134**	124
Staff costs	**6.139**	5.825
Depreciation of property, plant and equipment	**4.104**	3.855
Amortisation of intangible fixed assets	**59**	43
Auditors' remuneration	**16**	15
Average number of employees	**215**	207

6 Net financing costs

	2005 £000	2004 £000
Interest income	**19**	-
Dividend receivable	**-**	15
Financial income	**19**	15
Interest expense	**(160)**	(417)
Net foreign exchange differences	**(34)**	22
Financial expenses	**(194)**	(395)
Net financing costs	**(175)**	(380)

7 Income tax expense

Recognised in the income statement

Analysis of charge in year	2005 £000	2004 £000
Current year tax:		
Income tax on profits of the year	**958**	816
Special contribution to defence fund	**54**	-
Share of tax from associate	**3**	1
Deferred tax	**(294)**	-
	721	817
Adjustments for previous periods	**204**	(31)
	925	786

The Group is subject to income tax at 10%.

Factors affecting the income tax charge for period

	2005 £000	2004 £000
Profit before tax	**7.851**	5.815
Tax for the year at the applicable tax rates		
Income tax at 10%	**785**	823
Special contribution for defence	**54**	-
	839	823
Effects of:		
Effect of non-taxable income	**(129)**	(7)
Change in tax rates	**8**	-
	718	816
Adjustments to tax charge in respect of previous periods	**204**	(31)
Share of tax from associate	**3**	1
Current tax charge for period	**925**	786

8 Earnings per share

The calculation of earnings per share was based on the profit attributable to ordinary shareholders of £ 6.926.000 (2004: £5.038.000) and a weighted average number of ordinary shares outstanding during the year ended 53.736.153.

9 Property, plant and equipment

	Land and buildings £000	Vassiliko port £000	Plant and machinery £000	Total £000
Cost				
Balance at 1 January 2004	16.181	14.021	62.994	93.196
Acquisitions	611	143	3.271	4.025
Disposals	-	-	(28)	(28)
Balance at 31 December 2004	16.792	14.164	66.237	97.193
Balance at 1 January 2005	**16.792**	**14.164**	**66.237**	**97.193**
Acquisitions	**365**	**18**	**4.005**	**4.388**
Acquisitions through business combinations	**350**	**-**	**-**	**350**
Disposals	**(7)**	**-**	**(20)**	**(27)**
Balance at 31 December 2005	**17.500**	**14.182**	**70.222**	**101.904**
Depreciation				
Balance 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
Disposals	-	-	(27)	(27)
Balance at 31 December 2004	1.061	913	38.159	40.133
Balance at 1 January 2005	**1.061**	**913**	**38.159**	**40.133**
Charge for the year on historical cost	**385**	**305**	**3.071**	**3.761**
Additional charge on revalued amounts	**187**	**156**	**-**	**343**
Disposals	**-**	**-**	**(18)**	**(18)**
Balance at 31 December 2005	**1.633**	**1.374**	**41.212**	**44.219**
Carrying amounts				
At 1 January 2004	15.681	13.568	27.642	56.891
At 31 December 2004	15.731	13.251	28.078	57.060
At 1 January 2005	**15.731**	**13.251**	**28.078**	**57.060**
At 31 December 2005	**15.867**	**12.808**	**29.010**	**57.685**

Property, plant and equipment under construction

During the year ended 31 December 2005, the Group acquired land on a long term lease with the intention of constructing a new ready mix concrete plant on the site; costs incurred up to the balance sheet date totalled £1.160.000 (2004:nil).

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 appraisers Messrs Antonis Loizou & Associates.

The net book value of the revalued property, plant and equipment that would have been included in the accounts had the assets not been revalued are £4.083.000 (2004: £4.781.000) for land and buildings and £3.558.000 (2004: £4.124.000) for Vassiliko port.

10 Investment property

	2005 £000	2004 £000
Balance at 1 January	**2.644**	2.644
Balance at 31 December	**2.644**	2.644

The carrying amount of investment property is the fair value of the property as determined by an independent appraiser. The last revaluation of land and buildings and the Vassiliko port was performed in December 2002 by independent professional appraisers Messrs Antonis Loizou & Associates.

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

11 Intangible assets

	Goodwill £000	Software £000	Total £000
Cost			
Balance at 1 January 2004	-	505	505
Acquisitions	146	34	180
Balance at 31 December 2004	146	539	685
Balance at 1 January 2005	**142**	**539**	**681**
Acquisitions	**80**	**81**	**161**
Balance at 31 December 2005	**222**	**620**	**842**
Amortisation and impairment charge			
Balance at 1 January 2004	-	421	421
Amortisation for the year	4	39	43
Balance at 31 December 2004	4	460	464
Balance at 1 January 2005	**-**	**460**	**460**
Amortisation for the year	**-**	**59**	**59**
Balance at 31 December 2005	**-**	**519**	**519**
Carrying amounts			
At 1 January 2004	-	84	84
At 31 December 2004	142	79	221
At 1 January 2005	**142**	**79**	**221**
At 31 December 2005	**222**	**101**	**323**

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

12 Group entities

	Principal Activity	Ownership 2005	Ownership 2004
Vassiliko (Building Materials) Ltd	Investment company	**100%**	100%
Estia Etimo Skirodema Ltd	Concrete production	**100%**	-
Vassiliko Energy Ltd	Electricity generation	**100%**	-
Venus Beton Ltd	Dormant company	**51%**	51%
AES Atlas Etimo Skirodema Ltd	Concrete production	**51%**	51%

13 Investments in associates

The Group has the following investments in associates:

	Ownership 2005	Ownership 2004
Pyrga Quarry Ltd	**30%**	30%
ENERCO - Energy Recovery Limited	**50%**	50%

The Group's share of post-acquisition total recognised profit or loss in the above associates for the year ended 31 december 2005 was £47.000 (2004 : £32.000).

14 Other investments

	2005 £000	2004 £000
At 1 January	**1.123**	1.636
Additions	**-**	-
Disposals	**-**	-
Revaluation at 31 December	**570**	(513)
At 31 December	**1.693**	1.123

	Valuation 2005 £000	Valuation 2004 £000
Non-current investments		
Equity securities available for sale	**1.668**	1.098
Unquoted equity investments	**25**	25
	1.693	1.123

15 Inventories

	2005 £000	2004 £000
Raw materials and work in progress	**2.412**	1.105
Finished goods	**963**	1.562
Fuel stocks	**1.132**	1.407
Spare parts and consumables	**3.639**	6.073
	8.146	10.147

16 Trade and other receivables

	2005 £000	2004 £000
Trade debtors net of provisions	**5.771**	4.317
Amount owed by associate companies	**620**	611
Other debtors	**-**	644
	6.391	5.572

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

17 Cash and cash equivalents

	2005 £000	2004 £000
Bank balances	**2.674**	35
Cash and cash equivalents	**2.674**	35
Bank overdrafts	**(216)**	(1.699)
Cash and cash equivalents in the statement of cash flows	**2.458**	(1.664)

The bank overdrafts are secured by fixed charges on plant and machinery.

18 Share capital

	2005 000	2004 000
Authorised:		
Ordinary shares of £0,25 each	**60.000**	60.000

	2005 No. of shares	2004 No. of shares	2005 £000	2004 £000
Allotted, called up and fully paid:				
Ordinary shares of £0,25 each	**53.736.153**	53.736.153	**13.434**	13.434

19 Reserves

Share premium

	2005 £000	2004 £000
At 1 January	**488**	488
Shares issued	**-**	-
At 31 December	**488**	488

Revaluation reserve

	2005 £000	2004 £000
At 1 January	**17.340**	17.654
Transfer to deferred tax	**51**	445
Transfer to the profit and loss account	**-**	(759)
At 31 December	**17.391**	17.340

Revaluation of investments available for sale

	2005 £000	2004 £000
At 1 January	**(1.612)**	(1.612)
Revaluation of investments	**570**	(513)
Transfer to profit and loss of year	**-**	513
At 31 December	**(1.042)**	(1.612)

Profit and loss account

	2005 £000	2004 £000
At 1 January	**34.114**	30.198
Profit for the year	**6.926**	5.038
Dividends	**(1.881)**	(1.881)
Defence fund on deemed distribution	**(85)**	-
Transfer from revaluation reserve	**-**	759
At 31 December	**39.074**	34.114
Total reserves at 31 December	**55.911**	50.330

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.

20 Minority interest

	2005 £000	2004 £000
At 1 January	**(33)**	(24)
Profit for the year	**-**	(9)
Transfer to income statement of year	**33**	-
At 31 December	**-**	(33)

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.

21 Interest bearing loans and borrowings

	2005 £000	2004 £000
Non-current liabilities		
Unsecured bank loans	**314**	2.123
Secured bank loans		
	314	2.123
Current liabilities		
Current portion of unsecured bank loans	**893**	1.142
Current portion of secured bank loans		
	893	1.142
Analysis of maturity of debt:		
Within one year or on demand	**893**	1.142
Between one and two years	**214**	1.973
Between two and five years	**100**	150
	1.207	3.265

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 2005 the prevailing rate of interest for these loans was on average 3,47% (2004: 5,16%).

22 Deferred taxation

	2005 £000	2004 £000
Accelerated capital allowances	**3.120**	3.450
Revaluation of fixed assets	**975**	990
	4.095	4.440

	2005 £000	2004 £000
At 1 January	**4.440**	4.885
Deferred tax charge in profit and loss account	**(294)**	-
Transfer to revaluation reserve	**(51)**	(445)
At 31 December	**4.095**	4.440

23 Trade and other payables

	2005 £000	2004 £000
Trade creditors	**5.257**	4.392

24 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 2005 including the above agreement amounted to £551.000 (2004: £435.000).

The Company has entered into an agreement with Italcementi, S.p.A Italy, holding company of Italmed Cement Company Ltd and Compagnie Financiere et de Participations (Cofipar), the scope of which is the provision by Italcementi to the Company of consultancy services of technical nature. The duration of the agreement was 5 years and expired on 31 December 2005. The fees payable by the Company for these services are 600.000 Euro per annum. Apart from this agreement, during 2005, the Company purchased from Italcementi equipment and spare parts and other services and further sold cement and clinker £3.043.000 (2004: £5.000).

During 2005, the Company conducted trading transactions concerning the purchase of goods with KEO group, amounting to £29.000 (2004: £30.000).

25 Dividends

	2005 £000	2004 £000
Interim dividend paid at 1,5 cents (2004: 1,5 cents) per share	**806**	806
Additional dividend paid at 2 cent (2004: 1 cents) per share	**1.075**	1.075
	1.881	1.881

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

26 Directors' shareholdings

At 31 December 2005 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.A. Sideris	0,0055%
	0,0060%

There were no fluctuations in the above shareholdings during the period from 31 December 2005 to the date 30 days prior to the date of the notice of the annual general meeting of the Company.

At 31 December 2005 the Company had no material agreements in which directors of the Company, or their spouses or minor children, had a direct or indirect interest.

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

At 31 December 2005 and 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%
	72,67%

28 Capital commitments

	2005 £000	2004 £000
Amounts contracted for but not provided in the accounts	**1.580**	120

29 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 £379.000 (2004: £366.000).

30 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 21.

Credit risk
The management has a credit polict in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a cerain amount.

Exchange rate risk
The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the Cyprus Pound. The currencies giving rise to this risk are primarily Euro and U.S. Dollars.

The Group limits exchange rate risk by matching foreign currency revenues and expenses.

Fair values
The fair value of the investments in securities quoted on the Cyprus Stock Exchange is disclosed in note 14. The fair value of investment property is disclosed in note 10. The fair values of the other monetary assets and liabilities are approximately the same as their book values.

31 Operating leases

Leases as lessee
Non-cancelable operating lease rentals are payable as follows:

	2005 £000	**2004 £000**
Less than one year	**77**	79
Between one and five years	**163**	163
More than five years	**365**	391
	605	633

The Group leases a number of properties under operating leases.The leases typically run for periods up to 50 years, with options to renew the lease after that date. The leases provide for rental increases to reflect market rentals. None of the leases includes contingent rentals.

Leases as lessor
The Group leases out its investment property under operating leases (see note 10). The future minimum lease payments under non-cancellable leases are as follows:

	2005 £000	**2004 £000**
Less than one year	**224**	190
Between one and five years	**728**	982
More than five years	**118**	141
	1.070	1.313

During the year ended 31 December 2005, £191.000 was recognised as rental income in the income statement (2004 : £77.000) and £153.000 in respect of repairs and maintenance was recognised as an expense in the income statement relating to investment property (2004: £51.000).

32 Subsequent events

The were no material subsequent events which have a bearing on the understanding of the financial statements.