

# Iapetos Limited

## Report and financial statements 31 December 2005

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# **Iapetos Limited**

## **Board of Directors and other officers**

### **Board of Directors**

Stelios Triantafyllides  
Arta Antoniou  
Spyroulla Papaeracleous

### **Company Secretary**

**A.T.S. Services Limited**  
2 - 4 Arch. Makarios III Avenue  
Capital Centre, 9<sup>th</sup> Floor  
CY-1065 Nicosia  
Cyprus

### **Registered office**

2 - 4 Arch. Makarios III Avenue  
Capital Centre, 9<sup>th</sup> Floor  
CY-1065 Nicosia  
Cyprus

# Iapetos Limited

## Report of the Board of Directors

1 The Board of Directors presents its report together with the audited financial statements of the Company for the year ended 31 December 2005.

### Principal activities

2 The principal activities of the Company, which are unchanged from last year, are those of an investment holding company and the investing and trading in shares including but not limited to any form of dividend and interest earning shares, bonds, deposits, loans, forwards, derivatives and other financial instruments. Also during 2004 the Company began to market, franchise and otherwise promote certain beneficiation technology.

### Review of developments, position and performance of the Company business

3 As at 31 December 2005 the Company had a loss for the year of €9,129,348 in comparison to profit for 2004 of €1,817,753. The main reasons for this fluctuation was mainly the fair value loss on forward currency contracts of €10,238,269 compared to €1,583,880 gain in 2004, and the increase in franchise income to €948,189 compared to €55,212 in 2004. Despite the loss for the year the financial position of the Company as presented in the financial statements is considered satisfactory. The Board of Directors of the Company does not expect any significant changes in the activities of the Company for the foreseeable future.

### Principal risks and uncertainties

4 The Company's principal risks and uncertainties are stated in Note 3.

### Results

5 The Company's results for the year are set out on page 6. The loss for the year is carried forward.

### Share capital

6 There were no changes in the share capital of the Company.

### Board of Directors

7 The members of the Board of Directors at 31 December 2005 and at the date of this report are shown on page 1. All of them were members of the Board throughout the year 2005.

# Iapetos Limited

## Report of the Board of Directors (continued)

8 In accordance with the Company's Articles of Association all Directors will continue in office.

9 There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

### Events after the balance sheet date

10 There were no material events which occurred after the end of the financial year.

### Branches

11 The Company did not operate through any branches during the year.

### Auditors

12 The auditors, PricewaterhouseCoopers Limited, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

### By order of the Board

**Stelios Triantafyllides**  
**Director**

Nicosia  
.....2006

## Report of the auditors to the members of Iapetos Limited

### Report on the financial statements

1 We have audited the financial statements of Iapetos Limited on pages 6 to 24, which comprise the balance sheet as at 31 December 2005 and the statement of operations, statement of changes in equity and cash flow statement for the year then ended and the related notes. These financial statements are the responsibility of the 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.

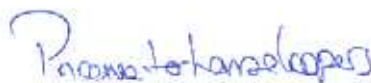
3 In our opinion, the financial statements give a true and fair view of the financial position of Iapetos Limited as of 31 December 2005 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Law, Cap. 113.

4 Without qualifying our opinion we draw attention to the fact that at 31 December 2005 and during the year 2005 the Company had balances and entered into transactions with related parties in the normal course of business. Related parties may enter into transactions which unrelated parties would not and transactions between related parties may not be affected on the same terms, conditions and amounts as transactions between unrelated parties.

**Report on other legal requirements**

5 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 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 2 to 3 is consistent with the financial statements.

  
PricewaterhouseCoopers Limited  
Chartered Accountants

Nicosia, 13 February 2006

# Iapetos Limited

## Statement of operations for the year ended 31 December 2005

	Note	2005 €	2004 €
Fair value (losses)/gains on forward currency contracts	13	(10,238,269)	1,583,880
Net gain on financial assets at fair value through profit or loss	5	-	239,764
Franchise income		948,189	55,212
Other gains	6	88,499	34,597
Administrative expenses		(519,293)	(994,913)
<b>Operating (loss)/profit</b>		<b>(9,720,874)</b>	<b>918,540</b>
Finance income	7	600,727	902,673
<b>(Loss)/profit before tax</b>		<b>(9,120,147)</b>	<b>1,821,213</b>
Tax	8	(9,201)	(3,460)
<b>(Loss)/profit for the year</b>		<b>(9,129,348)</b>	<b>1,817,753</b>

The notes on pages 10 to 24 are an integral part of these financial statements.

# Iapetos Limited

## Balance sheet at 31 December 2005

	Note	2005 €	2004 €
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	10	2,736,594	2,939,305
Investments in subsidiary undertakings and joint ventures	11	110,672,697	109,106,968
		<u>113,409,291</u>	<u>112,046,273</u>
<b>Current assets</b>			
Other receivables	12	1,479,113	1,437,281
Fair value of open forward currency contracts	13	-	3,497,065
Tax recoverable		20,228	16,769
Cash and cash equivalents	14	4,789,479	3,743,103
		<u>6,288,820</u>	<u>8,694,218</u>
<b>Total assets</b>		<u>119,698,111</u>	<u>120,740,491</u>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital	15	107,462	107,462
Share premium	15	105,698,031	105,698,031
Exchange difference translation reserve	16	2,647,438	2,647,438
(Accumulated losses)/retained earnings		(3,352,446)	5,776,902
		<u>105,100,485</u>	<u>114,229,833</u>
<b>Non-current liabilities</b>			
Deferred revenue	17	2,475,665	2,843,483
<b>Current liabilities</b>			
Other payables	18	8,069,124	3,335,896
Fair value of open forward currency contracts	13	3,721,558	-
Deferred revenue	17	331,279	331,279
		<u>12,121,961</u>	<u>3,667,175</u>
<b>Total liabilities</b>		<u>14,597,626</u>	<u>6,510,658</u>
<b>Total equity and liabilities</b>		<u>119,698,111</u>	<u>120,740,491</u>

On 13 February 2006 the Board of Directors of Iapetos Limited authorised these financial statements for issue.

Stelios Triantafyllides, Director

Arta Antoniou, Director

The notes on pages 10 to 24 are an integral part of these financial statements.



# Iapetos Limited

## Statement of changes in equity for the year ended 31 December 2005

	Note	Share capital €	Share premium €	Exchange difference retranslation reserve €	(Accumulated losses)/ retained earnings(1) €	Total €
<b>Balance at 1 January 2004</b>		90,954	89,206,145	2,647,438	3,959,149	95,903,686
Profit for the year		-	-	-	1,817,753	1,817,753
Issue of shares at a premium	15	16,508	16,491,886	-	-	16,508,394
<b>Balance at 31 December 2004/1 January 2005</b>		<u>107,462</u>	<u>105,698,031</u>	<u>2,647,438</u>	<u>5,776,902</u>	<u>114,229,833</u>
Loss for the year		-	-	-	(9,129,348)	(9,129,348)
<b>Balance at 31 December 2005</b>		<u>107,462</u>	<u>105,698,031</u>	<u>2,647,438</u>	<u>(3,352,446)</u>	<u>105,100,485</u>

- (1) 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 of 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 profit 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.

The notes on pages 10 to 24 are an integral part of these financial statements.

# Iapetos Limited

## Cash flow statement for the year ended 31 December 2005

	Note	2005 €	2004 €
<b>Cash flows from operating activities</b>			
(Loss)/profit before tax		(9,120,147)	1,821,213
Adjustments for:			
Interest expense	7	157	11
Amortisation of intangible asset: licences	10	202,711	101,355
		<u>(8,917,279)</u>	<u>1,922,579</u>
Changes in working capital:			
Other receivables		(41,832)	(779,966)
Other payables		4,733,228	475,228
Financial assets at fair value through profit or loss		-	1,599,144
Fair value of open forward currency contracts		7,218,623	(3,177,984)
Deferred revenue		(367,818)	3,174,762
		<u>2,624,922</u>	<u>3,213,763</u>
Tax paid		(12,660)	-
<b>Net cash from operating activities</b>		<u>2,612,262</u>	<u>3,213,763</u>
<b>Cash flows from investing activities</b>			
Purchases of intangible assets	10	-	(3,040,660)
Increase in investment in subsidiary undertakings	11	(1,565,729)	(1)
		<u>(1,565,729)</u>	<u>(3,040,661)</u>
<b>Net cash used in investing activities</b>		<u>(1,565,729)</u>	<u>(3,040,661)</u>
<b>Cash flows from financing activities</b>			
Interest paid		(157)	(11)
		<u>(157)</u>	<u>(11)</u>
<b>Net cash used in financing activities</b>		<u>(157)</u>	<u>(11)</u>
<b>Net increase in cash and bank balances</b>		<u>1,046,376</u>	<u>173,091</u>
Cash and bank balances at beginning of year		3,743,103	3,570,012
		<u>4,789,479</u>	<u>3,743,103</u>
<b>Cash and bank balances at end of year</b>	14	<u>4,789,479</u>	<u>3,743,103</u>

During 2004 the payable to the parent company were repaid through the issue and allotment of shares at a premium (Note 15). This transaction did not involve cash outflows or inflows and is therefore not reflected in the cash flow statement.

The notes on pages 10 to 24 are an integral part of these financial statements.

# **Iapetos Limited**

## **Notes to the financial statements**

### **1 General**

#### **Country of incorporation**

The Company is incorporated in Cyprus as a private limited liability company in accordance with the provisions of the Companies Law, Cap. 113. Its registered office is at 2-4 Arch. Makarios III Avenue, Capital Center, 9<sup>th</sup> floor, Nicosia, Cyprus.

#### **Principal activities**

The principal activities of the Company are those of an investment holding company and the investing and trading in shares including but not limited to any form of dividend and interest earning shares, bonds, deposits, loans, forwards, derivatives and other financial instruments. Also in 2004, the Company began to market, franchise and otherwise promote certain beneficitation technology.

### **2 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements unless otherwise stated.

#### **Basis of preparation**

The financial statements of Iapetos Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) and the provisions of the Companies Law, Cap. 113. The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or access where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

#### **Adoption of new and revised IFRS**

In the current year the Company adopted all new and revised IFRS that are relevant to its operations and are effective for accounting periods beginning on 1 January 2005.

This adoption did not result in substantial changes to the Company's accounting policies.

# Iapetos Limited

## 2 Summary of significant accounting policies (continued)

### Revenue recognition

Revenues recognised by the Company are recognised on the following bases:

**(a) Interest income**

Interest income is recognised on a time proportion basis using the effective interest method.

**(b) Dividend income**

Dividend income is recognised when the right to receive payment is established.

**(c) Franchise income**

Franchise income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

### Foreign currency translation

**(1) Functional and presentation currency**

Items included in the Company's financial statements are measured and presented in Euro (€) for the following reasons:

- The majority of assets and liabilities and majority of transaction of the Company were, and in the future are expected to be, denominated, executed and settled in €.
- Due to the nature of the Company's business, key economic and operational decisions are based in €.
- The functional currency of the ultimate parent company, Titan Cement S.A. which significantly influences the Company's key economic and operational decisions is the €.

**(2) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

# Iapetos Limited

## 2 Summary of significant accounting policies (continued)

### Foreign currency translation (continued)

#### (2) Transactions and balances (continued)

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss.

### Tax

Current tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax on investments in subsidiaries and joint ventures does not arise, as the profit on sale of securities is not taxable.

### Intangible assets: Licences

Licences are shown at historical cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives which is 15 years.

Intangibles are tested annually for impairment losses.

### Impairment of assets

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

# Iapetos Limited

## 2 Summary of significant accounting policies (continued)

### Investments

The Company classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of investments at initial recognition and re-evaluates this designation at every reporting date.

#### (a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months of the balance sheet date.

#### (b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which there is no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets.

#### (c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. During the year, the Company did not hold any investments in this category.

#### (d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the balance sheet date.

Regular way purchases and sales of investments are recognised on trade-date which is the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

# Iapetos Limited

## 2 Summary of significant accounting policies (continued)

### Investments

Realised and unrealised gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are included in the income statement in the period in which they arise.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity specific inputs.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets the cumulative loss which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

### Derivative financial instruments

Derivative financial instruments which include foreign exchange contracts are initially recognised in the balance sheet at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices. Derivatives are included within financial assets at fair value through profit or loss when fair value is positive and within financial liabilities at fair value through profit or loss when fair value is negative.

Changes in the fair value of derivatives are recognised in the income statement.

Realised gains and losses from forward currency contracts are credited/charged to the income statement in the year in which they are incurred.

### Share capital

Ordinary shares are classified as equity.

### Receivables from/payables to related parties

Receivables from/payables to related parties are stated at their transacted values as they are on demand. Management believes that their fair value is not materially different from their transacted values.

# Iapetos Limited

## 2 Summary of significant accounting policies (continued)

### Consolidated financial statements

Consolidated financial statements, which would include the financial statements of the Company and its subsidiary undertaking, have not been prepared because the Company is a wholly owned subsidiary itself and it does not need to prepare consolidated financial statements as these will be prepared by its ultimate parent company Titan Cement S.A., a company incorporated in Greece. This exemption is permitted by International Accounting Standard IAS27 “Consolidated Financial Statements and Accounting for Investments in Subsidiaries” and the requirements of the Cyprus Companies Law, Cap. 113. Consolidated financial statements can be obtained from Titan Cement S.A., 22A Halkidos Street, 11143 Athens, Greece.

### Investments in subsidiary undertakings and joint ventures

Investments in subsidiary undertakings and joint ventures are stated at cost less any permanent diminution in value. Where there has been a permanent diminution in the value of an investment, it is recognised as an expense when the diminution is identified.

### Cash and cash equivalents

Cash and cash equivalents include deposits held at call with banks.

### Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

## 3 Financial risk management

### (a) Financial risk factors

The Company’s activities expose it to market price risk, liquidity risk and currency risk arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

#### (i) Market price risk

Market price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices. The Company’s investments at fair value through profit or loss are susceptible to market price risk arising from uncertainties about future prices of the investments. The Company’s market price risk is managed through diversification of its investment portfolio.



# Iapetos Limited

## 3 Financial risk management (continued)

### (a) Financial risk factors (continued)

#### (ii) Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets.

#### (iii) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's functional currency. At the year end the Company had certain balances denominated in US Dollar of €3,308,607 and British Pounds (GBP) of €60. The Company trades in forward currency contracts, primarily with respect to Japanese Yen. At year end the fair value of these forward currency contracts was €3,721,558 liability (2004:€3,497,065 asset).

### (b) Fair value estimation

The fair value of financial instruments traded in active markets, such as publicly traded financial assets at fair value through profit or loss is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price. The appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods, such as estimated discounted cash flows and makes assumptions that are based on market conditions existing at the balance sheet date.

The nominal value less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Company for similar financial instruments.

## 4 Critical accounting estimates and judgements

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

# Iapetos Limited

## 4 Critical accounting estimates and judgements (continued)

### (a) Critical accounting estimates and assumptions

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

#### (i) Deferred revenue

The Company recognises the amount received on the inception of licence agreements, which represents an upfront fee by the licensee for the right to develop and market the beneficiation technology licence, as deferred revenue. The Company recognises the income on a straight line basis over the period of the licence as explained in Note 17. If the timing of the commissioning by the third party of the third fly ash beneficiation technology differs from Management's estimates (i.e. the commissioning starts earlier) then a significant franchise income will be recognised in the income statement of the year the commissioning will start.

#### (ii) Income taxes

The Company operates in Cypriot tax jurisdiction. The Company must interpret and apply existing legislation to transactions with third parties and its own activities. Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

In Management's opinion, the Company is in substantial compliance with the tax laws governing its operations. However the risk remains that the relevant authorities could take differing positions with regard to interpretative issues and the effect could be significant.

The Company met the tax filing in Cyprus. To the best of Management's knowledge, no breaches of tax law have occurred. Thus, the Company has not recorded any provision for potential impact of any such breaches as at 31 December 2005 or as at 31 December 2004.

## 5 Net gains on financial assets at fair value through profit or loss

	2005 €	2004 €
Profit on sale	-	239,764

# Iapetos Limited

## 6 Other gains

	2005	2004
	€	€
Interest income:		
Bank balances	88,161	34,597
Other income	338	-
	<u>88,499</u>	<u>34,597</u>

## 7 Finance income

	2005	2004
	€	€
Interest expense:		
Overdue taxation	(157)	(11)
Net foreign exchange transaction gains on financing activities	600,884	902,684
	<u>600,727</u>	<u>902,673</u>

## 8 Tax

	2005	2004
	€	€
Current tax:		
Defence contribution	9,201	3,460

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2005	2004
	€	€
Profit before tax	(9,120,147)	1,821,213
Tax calculated at the applicable tax rates	(912,015)	182,121
Tax effect of expenses not deductible for tax purposes	530,560	112,738
Tax effect of allowances and income not subject to tax	(4,209)	(274,363)
Tax effect of tax losses brought forward	385,664	-
Tax effect of tax losses utilised	-	(20,496)
Defence contribution	9,201	3,460
Taxation charge	<u>9,201</u>	<u>3,460</u>

From the tax year commencing 1 January 2003 onwards the Company is subject to corporation tax on its taxable profits at the rate of 10%. For the years 2003 and 2004 any profits in excess of C£1.000.000 are subject to an additional corporation tax at the rate of 5%.

Under certain conditions interest may be subject to defence contribution at the rate of 10%. In such cases 50% of the same interest will be exempt from corporation tax thus having an effective tax burden of approximately 15%. In certain cases dividends received from abroad may be subject to defence contribution at the rate of 15%.

During 2005 the Company had no tax liability due to tax losses suffered. As at 31 December 2005 the Company had tax losses of C£10,529,289 (2004: £8,304,776) which can be carried forward and be utilised against future taxable profits with no time limitation.

# Iapetos Limited

## 9 Expenses by nature

	2005	2004
	€	€
Amortisation of intangible asset: Licences	202,711	101,355
Accountancy and administrative	12,881	13,791
Auditors' remuneration	7,950	8,130
Legal fees	75,225	2,001
Sundry expenses	4,631	3,052
Custody fees	-	1,160
Salaries and related costs	107,460	58,280
Recharge of expatriate services for subsidiary	-	610,440
Amounts written off	-	196,704
Travelling expenses	8,598	-
Consultancy fees	63,291	-
Training and installation expenses	36,546	-
	<u>519,293</u>	<u>994,913</u>

## 10 Intangible asset: Licences

	2005	2004
	€	€
<b>Cost</b>		
At 1 January	3,040,660	-
Additions (1)	-	3,040,660
At 31 December	<u>3,040,660</u>	<u>3,040,660</u>
<b>Amortisation</b>		
At 1 January	101,355	-
Amortisation charge	202,711	101,355
At 31 December	<u>304,066</u>	<u>101,355</u>
<b>Net book amount</b>		
At 31 December	<u>2,736,594</u>	<u>2,939,305</u>

(1) In 2004, the Company incurred €3,040,660 of costs to acquire the exclusive licence to franchise, commercialise and otherwise promote certain fly ash beneficiation technology in all nations outside of the United States of America and its territories. Licence acquisition costs are amortised using the straight line method over its estimated useful life which is 15 years.

# Iapetos Limited

## 11 Investments in subsidiary undertakings and joint ventures

	% shareholding	2005 €	2004 €
Lafarge Titan Egyptian Investments Limited	50	<b>109,104,724</b>	109,104,724
Beni Suef Cement Company (1)	5	<b>2,243</b>	2,243
Separation Technologies Canada Limited (2)	100	<b>1,565,730</b>	1
		<b><u>110,672,697</u></b>	<b><u>109,106,968</u></b>

(1) The investment in Beni Suef Cement Company, a company incorporated in Egypt, is classified as joint venture as Lafarge Titan Egyptian Investments Limited (LTEIL) holds 95% of the share capital of Beni Suef Cement Company.

(2) Separation Technologies Canada Limited was incorporated in 2004 as a 100% subsidiary of the Company. During the year the subsidiary issued shares for a value of CAD\$2,499,999 (EUR1,565,729) which were 100% acquired by the Company.

## 12 Other receivables

	2005 €	2004 €
Other receivables (1)	<b>1,472,171</b>	1,435,544
Receivables from related party (Note 19)	<b>5,245</b>	-
Prepayments	<b>1,697</b>	1,737
	<b><u>1,479,113</u></b>	<b><u>1,437,281</u></b>

(1) During 2004 the Company licenced to a third party the use of the fly ash beneficiation technology (Note 10). The balance as at 31 December 2005 is €1,459,200 (2004:€1,435,544).

Based on the licence agreement €1,459,200 (2004: €1,435,544) (Note 17) are payable to the Company on 31 March 2010 or upon the commissioning by the third party of the third fly ash beneficiation separator (whichever shall occur sooner). This payable is classified as current in view of the uncertainty of the timing concerning the commissioning separator.

# Iapetos Limited

## 13 Fair value of open forward currency contracts

	Fair value gains/ (losses) on forward currency contracts €
At 1 January 2004	319,081
Fair value gains on forward currency contracts credited to income statement	3,177,984
At 31 December 2004	<u>3,497,065</u>
Fair value losses on forward currency contracts charged to income statement	(7,218,623)
At 31 December 2005	<u><u>(3,721,558)</u></u>

Open forward currency contracts are initially recognised in the balance sheet at cost and subsequently remeasured at their fair value. Fair value is obtained from quoted market prices. Forward currency contracts are carried as assets when fair value is positive and as liabilities when fair value is negative.

Changes in the fair value of forward currency exchange contracts are included in the income statement.

Realised profits or losses from forward contracts are credited/charged to the income statement in the year in which they are incurred.

## 14 Cash and cash equivalents

Cash and cash equivalents include the following for the purposes of the cash flow statement:

	2005 €	2004 €
Cash at bank	<u><u>4,789,479</u></u>	<u><u>3,743,103</u></u>

## 15 Share capital and share premium

	Number of shares	Share capital £	2005 Share capital €	Share premium €
At 1 January 2004 and 31 December 2005	<u>63 308</u>	<u>63,308</u>	<u>107,462</u>	<u>105,698,031</u>
			2004	
At 1 January 2004	53 749	53,749	90,954	89,206,145
Issue of shares at a premium (2)	9 559	9,559	16,508	16,491,886
At 31 December 2004	<u>63,308</u>	<u>63,308</u>	<u>107,462</u>	<u>105,698,031</u>

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## 15 Share capital and share premium (continued)

(1) The total authorised number of ordinary shares is 75 000 (2004: 75 000 shares) with a par value of C£1 per share. All shares are fully paid.

(2) During 2004 the Company issued 9 559 ordinary shares of C£1 each at C£1,000 each. As a result, share capital increased from €90,954 to €107,462 and share premium from €89,206,145 to €105,698,031.

## 16 Exchange difference translation reserve

Following the adoption of the Euro (€) across the participant member countries of the European Union as from 1 January 2002, the Greek Drachma no longer reflected the economic substance of the underlying events and circumstances relevant to the Company. As a result the Company changed its reporting currency from Greek Drachmas (GRD) to Euro (€). Comparative figures in respect of monetary assets and liabilities and profit and loss items were restated from GRD to € at the exchange rate prevailing as at 31 December 2001, GRD 340,75/€.

Non-monetary assets and liabilities which represent investments in subsidiary undertakings and share capital were restated from Greek Drachmas (GRD) to Euro (€) at historic rates. The translation difference arising was credited to exchange difference translation reserve, in shareholders' equity.

## 17 Deferred revenue

	2005 €	2004 €
Non-current	2,475,665	2,843,483
Current	331,279	331,279
	<u>2,806,944</u>	<u>3,174,762</u>

In 2004 the Company licenced to a third party the use of the fly ash beneficiation technology (Note 10). The total consideration for the licence was €3,229,744 of which €1,794,430 was paid to the Company on inception of the licence and the remaining €1,435,544 when certain conditions are met (Note 12). The amount paid on inception of the licence agreement represents an upfront fee by the licensee for the right to develop and market the beneficiation technology licence and is recognised on a straight line basis over the primary period of the licence that is from inception date to 31 March 2010.

The remaining €1,435,544 is regarded as income from services to be provided by the Company in respect of:

- a. technical training concerning the use of the separator
- b. sales and marketing support

These services will be provided by no later than 31 March 2010 and the income will be recognised on a basis dependent on the stage of completion of the services as the costs are incurred.

# Iapetos Limited

## 18 Other payables

	2005 €	2004 €
Payables to related parties (Note 19)	8,058,273	3,040,659
Other payables and accrued expenses	10,851	295,237
	<u>8,069,124</u>	<u>3,335,896</u>

## 19 Related party transactions

The Company is controlled by Titan Cement S.A., incorporated in Greece, which owns 100% of the Company's shares.

For the purposes of these financial statements parties are considered to be related if one party has the ability to control the other party in making financial and operating decisions and as such include companies which are ultimately controlled by a common management.

The following transactions were carried out with related parties:

	2005 €	2004 €
(a) Franchise income		
Fellow group company	<u>545,100</u>	<u>-</u>
(b) Year end balances arising from franchise income/ financing:		

	Nature of transactions	2005 €	2004 €
Receivables from related party:			
Fellow group company	Trading	<u>5,245</u>	<u>-</u>
Payables to related parties:			
Fellow group company (1)	Trading	2,258,273	3,040,659
Fellow group companies (2)	Financing	5,800,000	-
		<u>8,058,273</u>	<u>3,040,659</u>

(1) During 2004 the Company acquired certain technology and marketing rights from a fellow group company for the amount of €3,040,660 (US\$3,700,000) (Note 10). The balance as at 31 December 2005 is €2,258,273.

(2) During the year the Company received two interest from loans from two fellow group companies of €2,500,000 and €3,300,000 each. The loans are repayable on demand.



# **Iapetos Limited**

## **20 Events after the balance sheet date**

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

Report of the auditors on pages 4 and 5.

# Iapetos Limited

## Analysis of expenses for the year ended 31 December 2005

	2005	2004
	€	€
<b>Administrative expenses</b>		
Amortisation of intangible asset: Licences	202,711	101,355
Photocopies, printing and stationery	35	36
Postages and telephones	59	134
Accountancy and administrative	12,881	13,791
Auditors' remuneration	7,427	8,130
Auditors remuneration – prior year	523	-
Courier expenses	110	77
Legal fees	75,225	2,001
Sundry expenses	779	1,077
Bank charges	3,648	1,728
Custody fees	-	1,160
Salaries and related costs	107,460	58,280
Recharge of expatriate services for subsidiary	-	610,440
Amounts written off	-	196,704
Travelling expenses	8,598	-
Consultancy fees	63,291	-
Training and installation expenses	36,546	-
	<b>519,293</b>	<b>994,913</b>