

Iapetos Limited

Report and financial statements 31 December 2006

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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, 9th Floor
CY-1505 Nicosia
Cyprus

Registered office

2 - 4 Arch. Makarios III Avenue
Capital Centre, 9th Floor
CY-1505 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 2006.

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 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 2006 the Company had a loss for the year of €930,746 in comparison to the loss for 2005 of €9,129,348. The main reason for this fluctuation was mainly the fair value loss on forward currency contracts of €549,707 compared to €10,238,269 loss in 2005. 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 2006 and at the date of this report are shown on page 1. All of them were members of the Board throughout the year 2006.

Iapetos Limited

Report of the Board of Directors (continued)

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.

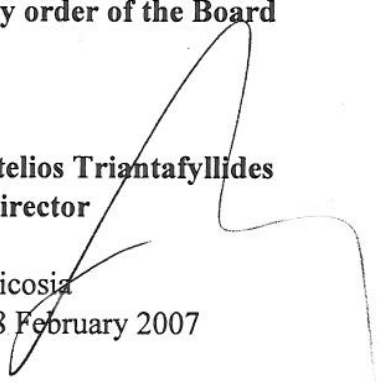
Branches

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

Auditors

12 The auditors of the Company, Messrs Ernst & Young were appointed during the year 2006 in replacement of PricewaterhouseCoopers Limited. Messrs, Ernst & Young, have signified their willingness to continue in office. A resolution for reappointing them and authorising the Directors to set their remuneration will be proposed at the Annual General Meeting of the Company.

By order of the Board


Stelios Triantafyllides
Director

Nicosia
28 February 2007

Independent Auditor's Report to the Members of Iapetos Limited

Report on the Financial Statements

We have audited the financial statements of Iapetos Limited (the "Company") on pages 6 to 25, which comprise the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to the Company's members, as a body, in accordance with Section 156 of the Companies Law, Cap. 113. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

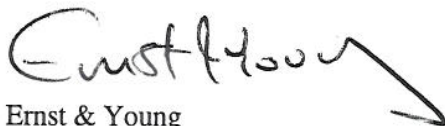
Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Iapetos Limited as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and International Financial Reporting Standards as issued by the IASB and the requirements of the Cyprus Companies Law, Cap 113.

Report on Other Legal Requirements

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

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements 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.



Ernst & Young
Chartered Accountants

Nicosia
28 February 2007

Iapetos Limited

Income Statement for the year ended 31 December 2006

	Note	2006 €	2005 €
Fair value losses on forward currency contracts	13	(549,707)	(10,238,269)
Franchise fee income		442,076	948,189
Dividend income		9,310	-
Other gains	5	430,996	88,499
Administrative expenses	8	(809,959)	(519,293)
Operating loss		(477,284)	(9,720,874)
Finance costs - net	6	(410,363)	600,727
Loss before tax		(887,647)	(9,120,147)
Tax	7	(43,099)	(9,201)
Loss for the year		(930,746)	(9,129,348)

The notes on pages 10 to 25 are an integral part of these financial statements.

Iapetos Limited

Balance sheet at 31 December 2006

	Note	2006 €	2005 €
Assets			
Non-current assets			
Intangible assets	9	2,533,883	2,736,594
Investments in subsidiary undertakings and joint ventures	10	110,672,697	110,672,697
Available for sale investments	11	1,427,108	-
		<u>114,633,688</u>	<u>113,409,291</u>
Current assets			
Other receivables	12	1,500,805	1,479,113
Tax recoverable		20,228	20,228
Cash and cash equivalents	14	1,101,355	4,789,479
		<u>2,622,388</u>	<u>6,288,820</u>
Total assets		<u>117,256,076</u>	<u>119,698,111</u>
Equity and liabilities			
Capital and reserves			
Share capital	15	107,462	107,462
Share premium	15	105,698,031	105,698,031
Exchange difference translation reserve		2,240,811	2,647,438
Net unrealised gains reserve		(304,072)	-
Accumulated losses		(3,876,565)	(3,352,446)
		<u>103,865,667</u>	<u>105,100,485</u>
Non-current liabilities			
Deferred revenue	16	2,138,076	2,475,665
Current liabilities			
Payables and other accruals	17	9,932,098	8,069,124
Fair value of open forward currency contracts	13	988,963	3,721,558
Deferred revenue	16	331,272	331,279
		<u>11,252,333</u>	<u>12,121,961</u>
Total liabilities		<u>13,390,409</u>	<u>14,597,626</u>
Total equity and liabilities		<u>117,256,076</u>	<u>119,698,111</u>

On 28 February 2007 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 25 are an integral part of these financial statements.

Iapetos Limited

Statement of changes in equity for the year ended 31 December 2006

	Note	Share capital €	Share Premium (1) €	Exchange difference retranslation reserve (3) €	Net Unrealised gains reserve €	Retained earnings/ (Accumulated losses) (2) €	Total €
Balance at 1 January 2005		107,462	105,698,031	2,647,438	-	5,776,902	114,229,833
Loss for the year		-	-	-	-	(9,129,348)	(9,129,348)
Balance at 31 December 2005/1 January 2006		107,462	105,698,031	2,647,438	-	(3,352,446)	105,100,485
Loss for the year		-	-	-	-	(930,746)	(930,746)
Net unrealised gains on available for sale investments	11	-	-	-	(304,072)	-	(304,072)
Translation reserve transfer		-	-	(406,627)	-	406,627	-
Balance at 31 December 2006		107,462	105,698,031	2,240,811	(304,072)	(3,876,565)	103,865,667

- (1) The share premium is not distributable by way of dividend. It can be used mainly for the issue of bonus shares to the shareholders.
- (2) 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. For the tax year 2004, there is no deemed distribution.
- (3) Exchange difference retranslation reserve is explained in note 2 to the financial statements.

The notes on pages 10 to 25 are an integral part of these financial statements.

Iapetos Limited

Cash flow statement for the year ended 31 December 2006

	Note	2006 €	2005 €
Cash flows from operating activities			
Loss before tax		(887,647)	(9,120,147)
Adjustments for:			
Interest expense	6	550,156	157
Amortisation of intangible asset	9	202,711	202,711
		<u>(134,780)</u>	<u>(8,917,279)</u>
Changes in working capital:			
Other receivables		(21,692)	(41,832)
Other payables		1,331,727	4,733,228
Fair value of open forward currency contracts		(2,732,595)	7,218,623
Deferred revenue		(337,596)	(367,818)
		<u>(1,894,936)</u>	<u>2,624,922</u>
Cash generated from operations		(1,894,936)	2,624,922
Tax paid		(43,099)	(12,660)
		<u>(1,938,035)</u>	<u>2,612,262</u>
Cash flows from investing activities			
Purchase of available for sale investments	11	(1,731,180)	-
Increase in investment in subsidiary undertakings	10	-	(1,565,729)
		<u>(1,731,180)</u>	<u>(1,565,729)</u>
Cash flows from financing activities			
Interest paid		(18,909)	(157)
		<u>(18,909)</u>	<u>(157)</u>
Net (decrease)/increase in cash and bank balances		(3,688,124)	1,046,376
Cash and bank balances at beginning of year		4,789,479	3,743,103
		<u>4,789,479</u>	<u>3,743,103</u>
Cash and bank balances at end of year	14	1,101,355	4,789,479
		<u>1,101,355</u>	<u>4,789,479</u>

The notes on pages 10 to 25 are an integral part of these financial statements.

Iapetos Limited

Notes to the financial statements

1 General Information

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, 9th 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 fly ash beneficiation 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 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 financial statements comply with both these 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 Commission. In addition, the financial statements have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap.113.

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, interpretations and amendments to existing standards have been published that are not yet effective for the current reporting period and which the Company has not early adopted, as follows:

Issued by the IASB and adopted by the EU:

IFRS 7, Financial Instruments: Disclosures, and a complementary amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures

IFRIC 7, Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies

IFRIC 8, Scope of IFRS 2

IFRIC 9, Reassessment of Embedded Derivatives

Iapetos Limited

Summary of significant accounting policies (continued)

Basis of preparation (continued)

Issued by the IASB but not yet adopted by the EU

IFRS 8, Operating Segments

IFRIC 10, Interim Financial Reporting and Impairment

IFRIC 11, IFRS 2-Group and Treasury Share Transactions

IFRIC 12, Service Concession Arrangements

The above are expected to have no impact on the Company's financial statements, other than the presentation of additional disclosures concerning financial instruments under IFRS7 and management of capital under the amendment to IAS1 in the 2007 financial statements.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised

(a) Interest income

Interest income is recognised as the interest accrues (taking into account the effective yield on the asset).

(b) Dividend income

Dividend income is recognised when the shareholders' right to receive the 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 €

Iapetos Limited

2 Summary of significant accounting policies (continued)

Foreign currency translation

(1) Functional and presentation currency

- 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.

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.

Borrowing costs

Borrowing costs are recognised as expense when incurred.

Iapetos Limited

2 Summary of significant accounting policies (continued)

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 in the income statement 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.

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. 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.

(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.

Iapetos Limited

2 Summary of significant accounting policies (continued)

(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 those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses being recognised directly in equity in the net unrealised gains reserve. When the investment is disposed of, the cumulative gain or loss previously recorded in equity is recognised in the income statement. Interest earned or paid on the investments is reported as interest income or expense using the effective interest rate. Dividends earned on investments are recognised in the income statement as "Dividends received" when the right of payment has been established.

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.

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 appropriate valuation techniques.

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.

Iapetos Limited

2 Summary of significant accounting policies (continued)

Derivative financial instruments

Derivative financial instruments which include forward currency 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. The fair value of forward currency contracts is calculated by reference to current forward exchange rates with similar maturities profiles. 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.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Share capital

The share capital is recognised at its nominal value. The difference between the fair value received by the Company and the nominal value of the issued share capital is transferred to the share premium reserve.

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 and joint ventures, 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 were 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 by 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

Subsidiaries include all companies that are controlled by the company by the company. Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than one half of the voting power of an enterprise.

Investments in subsidiaries are stated at cost less any impairment in value. The carrying values of investments in subsidiaries are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Impairment losses are recognised in the income statement.

Investments in Joint Ventures

Investments in Joint Ventures are stated at cost less any impairment in value. The carrying values of investments in Joint Ventures are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Impairment losses are recognised in the income statement.

Cash and cash equivalents

Cash and short term deposits in the balance sheet comprise cash at banks and at hand and short term deposits with an original maturity of three months or less.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Comparatives

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

Iapetos Limited

2 Summary of significant accounting policies (continued)

Exchange difference retranslation reserve

Following the adoption of the Euro (€) across the participant member countries of the European Union as from 1 January 2002, the Company changed its reporting currency from Greek Drachmas (GRD) to Euro (€). Comparative figures in respect of monetary assets and liabilities, share capital 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 which represent investments in subsidiary undertakings 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.

Translation differences of €406,627 which were related to investments already disposed were transferred from the exchange difference translation reserve to retained earnings in the current year. The remaining balance of the exchange difference translation reserve relates to the restatement of the investment in the joint venture Lafarge Titan Egyptian Investments Limited from Greek drachmas (GRD) to Euro (€) at historic rates and will be transferred to retained earnings upon the disposal of the investment.

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.

(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. As at 31 December 2006, current liabilities exceed current assets by €8,629,945 (2005: €5,833,141); however there is no liquidity risk since current liabilities mainly comprise of amounts payable to fellow subsidiaries.

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3 Financial Risk Management (continued)

(a) Financial risk factors (continued)

(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 €2,406,569 and British Pounds (GBP) of €1,001,085. 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 €88,963 liability (2005:€3,721,558 liability).

(b) Fair value estimation

The fair values of financial assets and liabilities are not materially different from their carrying values at the balance sheet date.

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.

(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 16. 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.

Iapetos Limited

4 Critical accounting estimates and judgements (continued)

(ii) Income taxes

The Company operates in the Cypriot tax jurisdiction. The Company must interpret and apply existing legislation to transactions from its activities with third parties and related parties. 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 2006 or as at 31 December 2005.

5 Other gains

	2006 €	2005 €
Interest income:		
Bank balances	430,996	88,161
Other income	-	338
	<u>430,996</u>	<u>88,499</u>

6 Finance costs - net

	2006 €	2005 €
Interest expense:		
Interest expense	(18,909)	-
Loan interest expense charged by related parties	(531,247)	-
Overdue taxation	-	(157)
Net foreign exchange transaction gains	139,793	600,884
	<u>(410,363)</u>	<u>600,727</u>

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7 Tax

	2006 €	2005 €
Current tax:		
Defence contribution	<u>43,099</u>	<u>9,201</u>

The Company is subject to corporation tax on its taxable profits at the rate of 10%. As at 31 December 2006, the Company has no liability for income tax due to tax losses suffered. At 31 December 2006 the Company had tax losses carried forward of CY£12,162,703(2005: C£10,345,243) which can be carried forward and be utilized against future taxable profits with no time limitation.

No deferred tax asset has been recognised in the financial statements of the Company, in respect of tax losses carried forward.

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%.

8 Expenses by nature

	2006 €	2005 €
Amortisation of intangible asset: Licences	202,711	202,711
Accountancy and administrative	23,519	12,881
Auditors' remuneration	7,384	7,950
Legal fees	1,697	75,225
Sundry expenses	7,619	4,631
Salaries and related costs	43,740	107,460
Recharge of expatriate services for subsidiary	128,990	-
Amounts written off	9,500	-
Travelling expenses	44,209	8,598
Consultancy fees	334,266	63,291
Training and installation expenses	6,324	36,546
Total administrative expenses	<u>809,959</u>	<u>519,293</u>

9 Intangible asset: Licences

	2006 €	2005 €
Cost		
At 1 January and 31 December	<u>3,040,660</u>	3,040,660
Amortisation		
At 1 January	304,066	101,355
Amortisation charge	202,711	202,711
At 31 December	<u>506,777</u>	304,066
Net book amount		
At 31 December	<u>2,533,883</u>	<u>2,736,594</u>

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9 Intangible asset: Licenses (continued)

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.

10 Investments in subsidiary undertakings and joint ventures

	% shareholding	Nature of Activities	2006 €	2005 €
At cost				
Investment in Joint Ventures:				
Lafarge Titan Egyptian Investments Limited	50	Investment Holding Company	109,104,724	109,104,724
Beni Suef Cement Company (1)	0.001	Production of Cement	2,243	2,243
Investment in subsidiary undertaking:				
Separation Technologies Canada Limited (2)	100	Fly Ash Technology	1,565,730	1,565,730
			<u>110,672,697</u>	<u>110,672,697</u>

(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 directly and indirectly 99.999% 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 2005 the subsidiary issued shares for a value of CAD\$2,499,999 (EUR1,565,729) which were 100% acquired by the Company.

11 Available for sale investments -unquoted

	2006 €	2005 €
Balance at 1 January	-	-
Additions	1,731,180	-
Fair value adjustment	(304,072)	-
At 31 December	<u>1,427,108</u>	<u>-</u>

(1) On 22 June 2006, the Company entered into an agreement for the participation in Global Emerging Property Fund Limited Partnership, a Jersey limited partnership. The Company is required to contribute to the fund the amount €3,000,000 for the acquisition of 2% interest in the Fund. As at 31 December 2006 the Company had invested €1,245,484.

(2) During 2006, the Company acquired 1,61% partnership interest in Black Sea Fund LP from Titan Cement SA, at a cost of US\$640,000 (€485,696).

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12 Other receivables

	2006 €	2005 €
Other receivables (1)	1,493,448	1,472,171
Receivables from related party (Note 18)	5,851	5,245
Prepayments	1,506	1,697
	<u>1,500,805</u>	<u>1,479,113</u>

(1) Other receivables and prepayments include receivables of €1,489,200 (2005:€1,459,200) from the license to a third party of the use of the fly ash beneficiation technology (Note 9). Based on the license agreement the amount of GBP1,000,000 (2006:€1,489,200 and 2005:€1,459,200) are receivable by 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). The receivable is classified as current in view of the uncertainty of the timing concerning the commissioning separator.

13 Fair value of open forward currency contracts

The company enters into forward currency contracts between Japanese Yens and United States Dollars. The following table shows the nominal amounts and fair values of forward currency contracts as at 31 December 2006 and 2005. Nominal amounts indicate the volume of transactions outstanding at the balance sheet date. The contracts will be utilised in the next twelve months.

	2006		2005	
	Nominal amount €	Fair value €	Nominal amount €	Fair value €
Forward currency contracts	46,388,100	988,963	147,132,170	3,721,558

	2006 €	2005 €
Fair value (losses)/gains on forward currency contracts (charged)/credited to income statement		
Realised loss on closed forward currency contracts	(3,282,302)	(3,019,646)
Fair value gains /(loss) on open forward currency contracts credited /(charged) to income statement	2,732,595	(7,218,623)
	<u>(549,707)</u>	<u>(10,238,269)</u>

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14 Cash and cash equivalents

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

	2006 €	2005 €
Cash at bank	<u>1,101,355</u>	<u>4,789,479</u>

15 Share capital and share premium

	Number of shares	2006 Issued Share capital £	2006 Issued Share capital €	Share premium €
At 1 January 2006 and 31 December 2006	<u>63 308</u>	<u>63,308</u>	<u>107,462</u>	<u>105,698,031</u>
			2005	
At 1 January 2005 and 31 December 2005	<u>63,308</u>	<u>63,308</u>	<u>107,462</u>	<u>105,698,031</u>

(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 issued shares are fully paid.

16 Deferred revenue

	2006 €	2005 €
Non-current	2,138,076	2,475,665
Current	331,272	331,279
	<u>2,469,348</u>	<u>2,806,944</u>

The Company licensed to a third party the use of the fly ash beneficiation technology (Note 9). 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.

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17 Payables and other accruals

	Note	2006 €	2005 €
Payables to related parties	19(b)	9,848,328	8,058,273
Other payables and accrued expenses		83,770	10,851
		<u>9,932,098</u>	<u>8,069,124</u>

18 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:

(a) Franchise Income:

	2006 €	2005 €
Fellow group company	<u>104,480</u>	<u>545,100</u>

(b) Year-end balances with related parties:

	Nature of transactions	2006 €	2005 €
Receivables from related party:			
Fellow group company	Trading	<u>5,851</u>	<u>5,245</u>
Payables to related parties:			
Fellow group company (1)	Trading	1,517,081	2,258,273
Fellow group company (2)	Financing	8,331,247	5,800,000
		<u>9,848,328</u>	<u>8,058,273</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 due as at 31 December 2006 is €1,517,081. The amount due to fellow company is unsecured and interest free.
- (2) The loan to related party are unsecured, at an interest rate of 3% p.a. and are repayable on demand. The total interest charged by the related party for 2006, was €31,247 (2005: NIL).

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19 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.

20 Commitments and Contingencies

On 22 June 2006, the Company entered into an agreement for the participation in Global Emerging Property Fund LP, a Jersey limited partnership. The Company is required to contribute to the Fund the amount of €3,000,000 for the acquisition of approximately 2% interest in the Fund. As of 31 December 2006 the amount of €1,245,484 has been paid.

There were no other significant commitments and contingent liabilities at the balance sheet date.