Separation Technologies UK Limited
Report and Financial Statements
For the year ended 31 December 2006

Company information

Directors	M C B Williamson J P Borders K H Prince-Wright
Secretary	Rollits Company Secretaries Limited
Company number	4770944
Registered office	No 12 Shed King George Dock Hull HU9 5PR
Auditors	Ernst & Young LLP Registered auditor PO Box 3 Lowgate House Lowgate Hull HU1 1JJ
Bankers	Bank of America PO Box 407 5 Canada Square London E14 5AQ
Solicitors	Rollits Wilberforce Court High Street Hull HU1 1YJ

Contents

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Directors' Report
For the year ended 31 December 2006

The directors present their report and the financial statements for the year ended 31 December 2006.

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as each of the directors is aware at the time the report is approved:

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Results

The profit for the year, after taxation, amounted to £31,914 (2005 - Loss £245,518).

Principal activities and review of business

The principal activity of the company is the processing and sale of ash.

The board has assessed that the key performance indicators that are the most effective indicators of achieving company objectives include:

Gross return on sales	- gross profit as a percentage of turnover
Net return on sales	- net profit after tax as a percentage of turnover

Directors' Report
For the year ended 31 December 2006

Principal activities and review of business (continued)

The company's key performance indicators performance during the year were as follows:

	2006	*2005*	*Change*
	£	*£*	*%*
Gross profit	643,720	41,462	
Gross return on sales	53.0%	11.1%	41.9%
Profit/(loss) after taxation	31,914	(245,518)	
Net return on sales	2.6%	(66.0)%	68.6%

The company has continued to develop it's business followig the set up of the company in 2004. The directors are satisfied with the result for the year and the company's financial position at the year end date and anticipate further growth in the future.

Principal risks and uncertainties

The company has carried out a formal exercise to identify and assess the impact on its business. The more significant risks and uncertainties faced by the company, in line with the rest of the industry were identified as customer retention, margins and profitability, and competition.

Financial risk management

The company's operations expose it to a variety of financial risks that include credit risk, liquidity risk and interest rate risk. The company has in place a risk management programme that seeks to limit adverse effects on the financial performance of the company.

The policies set by the board are implemented by the company's management.

Price risk
The company is exposed to commodity price risk as a result of its operations. However, given the size of the company's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The board will revisit the appropriateness of this policy should the company's operations change in size or nature. The company has no exposure to equity price risk as it holds no listed or other equity instruments.

Credit risk
The company has implemented policies that require appropriate credit checks on potential customers before sales are made.

Liquidity risk
The company retains sufficient cash to ensure it has sufficient available funds for operations. The company also has access to longer term funding from its parent and ultimate parent undertaking.

Interest rate cash flow risk
The company has interest bearing assets, which include only cash balances earning interest at a floating rate. The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

Directors' Report
For the year ended 31 December 2006

Directors

The directors who served during the year were:

M C B Williamson
J P Borders
K H Prince-Wright

Auditors

The auditors, Ernst & Young LLP, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

This report was approved by the board on 8 March 2007 and signed on its behalf.

M. Williamson

M C B Williamson
Director

Independent Auditors' report to the members of Separation Technologies UK Limited

We have audited the company's financial statements for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements.

We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent Auditors' report to the members of Separation Technologies UK Limited

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
Hull

8 March 2007

Profit and loss account
For the year ended 31 December 2006

	Note	2006 £	2005 £
Turnover	1,2	1,215,451	371,720
Cost of sales		(571,731)	(330,258)
Gross profit		643,720	41,462
Selling and distribution costs		(78,685)	(9,861)
Administrative expenses		(543,360)	(291,028)
Operating profit/(loss)	3	21,675	(259,427)
Interest receivable		4,492	25,267
Profit/(loss) on ordinary activities before taxation		26,167	(234,160)
Tax on profit/(loss) on ordinary activities	6	5,747	(11,358)
Profit/(loss) on ordinary activities after taxation	15	31,914	(245,518)

All amounts relate to continuing operations.

There were no recognised gains and losses for 2006 or 2005 other than those included in the profit and loss account.

The notes on pages 8 to 15 form part of these financial statements.

Balance Sheet
As at 31 December 2006

	Note	2006 £	2006 £	2005 £	2005 £
Fixed assets					
Intangible fixed assets	7		321,875		359,375
Tangible fixed assets	8		2,704,777		2,829,493
			3,026,652		3,188,868
Current assets					
Stocks	9	113,805		81,205	
Debtors	10	263,948		311,076	
Cash at bank		229,461		54,538	
		607,214		446,819	
Creditors: *amounts falling due within one year*	11	(2,700,022)		(2,567,433)	
Net current liabilities			(2,092,808)		(2,120,614)
Total assets less current liabilities			933,844		1,068,254
Creditors: *amounts falling due after more than one year*	12		(1,175,168)		(1,330,134)
Provisions for liabilities					
Deferred tax	13		-		(11,358)
Net liabilities			(241,324)		(273,238)
Capital and Reserves					
Called up share capital	14		1		1
Profit and loss account	15		(241,325)		(273,239)
Shareholders' funds - All equity	16		(241,324)		(273,238)

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 8 March 2007.

M. Williamson

M C B Williamson
Director

The notes on pages 8 to 15 form part of these financial statements.

Notes to the financial statements
For the year ended 31 December 2006

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

1.2 Accounitng convention

The financial statements have also been prepared on the basis that the company can continue to operate as a going concern. The directors believe this basis to be appropriate as the company's immediate parent undertaking, Titan Cement UK Limited, has indicated its intention to provide financial support to enable the company to trade for the foreseeable future and not to demand repayment of the amounts due to it, until the company is in a position to do so.

1.3 Cash flow

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS1.

1.4 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts.

1.5 Intangible fixed assets and amortisation

Intangible fixed assets purchased are amortised by equal annual instalments over the period that economic benefits are expected to be derived from the asset.

Amortisation is provided at the following rates:

Franchise fee	-	%	10 years

1.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	-	10%	reducing balance
Plant & machinery	-	10%	reducing balance
Office equipment	-	25%	straight line

1.7 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

Notes to the financial statements
For the year ended 31 December 2006

1. Accounting policies (continued)

1.8 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are discounted.

1.9 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the profit and loss account.

1.10 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

1.11 Deferred income

The contribution received in relation to the capital expenditure on the company's processing operation has been credited to deferred income and is being released to the profit and loss account over the period that the related assets are depreciated over, being 10 years.

2. Turnover

The whole of the turnover is attributable to the processing and sale of ash.

All turnover arose within the United Kingdom.

Notes to the financial statements
For the year ended 31 December 2006

3. Operating profit/(loss)

The operating profit/(loss) is stated after charging/(crediting):

	2006 £	2005 £
Amortisation - intangible fixed assets	37,500	15,625
Depreciation of tangible fixed assets:		
- owned by the company	313,973	123,021
Auditors' remuneration	10,000	10,000
Difference on foreign exchange	2,675	(28,053)
Deferred income release	(154,966)	(64,570)

4. Staff costs

Staff costs, including directors' remuneration, were as follows:

	2006 £	2005 £
Wages and salaries	343,998	232,312
Social security costs	35,249	22,793
Other pension costs	2,629	2,103
	381,876	257,208

The average monthly number of employees, including the directors, during the year was as follows:

	2006 No.	2005 No.
Administration	3	3
Operational	6	6
	9	9

5. Directors' remuneration

	2006 £	2005 £
Emoluments	-	12,000

Notes to the financial statements
For the year ended 31 December 2006

6. Taxation

	2006 £	2005 £
Analysis of tax charge in the year		
***Current tax** (see note below)*		
Adjustments in respect of prior periods	5,611	-
Deferred tax		
Origination and reversal of timing differences	(24,985)	11,358
Adjustments in repsect of previous periods	13,627	-
***Total deferred tax** (see note 13)*	(11,358)	11,358
Tax on (loss)/profit on ordinary activities	(5,747)	11,358

Factors affecting tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2006 £	2005 £
Profit/(loss) on ordinary activities before tax	26,167	(234,160)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 - 30%)	7,850	(70,248)
Effects of:		
Expenses not deductible for tax purposes	1,200	6,140
Capital allowances for year in excess of depreciation	(9,050)	(11,358)
Non qualifying depreciation	-	29,407
Pre trading expenditure	-	(8,316)
Group relief not paid for	-	54,375
Adjustments to tax charge in respect of prior periods	5,611	-
***Current tax charge for the year** (see note above)*	5,611	-

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

Notes to the financial statements
For the year ended 31 December 2006

7. Intangible fixed assets

	Franchise £
Cost	
At 1 January 2006 and 31 December 2006	375,000
Amortisation	
At 1 January 2006	15,625
Charge for the year	37,500
At 31 December 2006	53,125
Net book value	
At 31 December 2006	321,875
At 31 December 2005	359,375

8. Tangible fixed assets

	Freehold property £	*Plant and machinery* £	*Furniture, fittings and equipment* £	*Total* £
Cost				
At 1 January 2006	1,682,451	1,245,428	24,635	2,952,514
Additions	-	188,928	329	189,257
At 31 December 2006	1,682,451	1,434,356	24,964	3,141,771
Depreciation				
At 1 January 2006	70,102	51,893	1,026	123,021
Charge for the year	168,245	139,077	6,651	313,973
At 31 December 2006	238,347	190,970	7,677	436,994
Net book value				
At 31 December 2006	1,444,104	1,243,386	17,287	2,704,777
At 31 December 2005	1,612,349	1,193,535	23,609	2,829,493

9. Stocks

	2006 £	*2005* £
Consumables	113,805	81,205

Notes to the financial statements
For the year ended 31 December 2006

10. Debtors

	2006 £	2005 £
Trade debtors	205,361	234,918
Prepayments and accrued income	58,587	55,518
Tax recoverable	-	20,640
	263,948	311,076

11. Creditors: Amounts falling due within one year

	2006 £	2005 £
Trade creditors	25,312	33,542
Amounts owed to group undertakings	2,441,553	2,330,514
Social security and other taxes	13,189	11,685
Other creditors and accruals	65,001	36,725
Deferred income	154,967	154,967
	2,700,022	2,567,433

12. Creditors: Amounts falling due after more than one year

	2006 £	2005 £
Deferred income	1,175,168	1,330,134

13. Deferred taxation

	2006 £	2005 £
At 1 January 2006	11,358	-
(Released during)/charge for the year	(11,358)	11,358
At 31 December 2006	-	11,358

Notes to the financial statements
For the year ended 31 December 2006

13. Deferred taxation (continued)

The provision for deferred taxation is made up as follows:

	2006 £	*2005* £
Accelerated capital allowances	34,035	11,358
Tax losses brought forward	(34,035)	-
	-	11,358

A deferred tax asset of £34,252 (2005 - £68,287) in relation to tax losses carried forward has not been recognised because in the opinion of the directors there remains some uncertainty over suitable taxable gains being available in the foreseeable future.

14. Share capital

	2006 £	*2005* £
Authorised		
1,000 Ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid		
1 Ordinary shares of £1 each	1	1

15. Reserves

	Profit and loss account £
At 1 January 2006	(273,239)
Profit retained for the year	31,914
At 31 December 2006	(241,325)

16. Reconciliation of movement in shareholders' funds

	2006 £	*2005* £
Opening shareholders' funds	(273,238)	(27,720)
Profit/(loss) for the year	31,914	(245,518)
Closing shareholders' funds	(241,324)	(273,238)

Notes to the financial statements
For the year ended 31 December 2006

17. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £2,629 (2005 £2,103).

18. Controlling party and related party transactions

The company's immediate parent undertaking is Titan Cement UK Limited and its ultimate parent undertaking and controlling party is Titan Cement Company SA, incorporated in Greece.

The largest and smallest group in which the results of the company are consolidated is that headed by Titan Cement Company SA, incorporated in Greece. The consolidated accounts of this group may be obtained from Titan Cement Company SA, 22A Halkidos Street, Athens 111-43, Greece.

The company has taken advantage of the exemption in Financial Reporting Standard No. 8 "Related Party Transactions" not to disclose any transactions between the company and fellow group companies.