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Titan Cement UK Ltd

Report and Financial Statements

For the year ended 31 December 2006

Ernst & Young

Company information

Directors	N Vlassopoulos M Williamson A Gkousiakis K Rapakoulias
Secretary	Rollits Company Secretaries Limited
Company number	2209994
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

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 and dividends

The loss for the year, after taxation, amounted to £53,306 (2005 - Profit £154,455).

The directors do not recommend the payment of a dividend.

Principal activities and review of business

The principal activity of the company is the importing and distribution of cement.

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
Free cash flow	- cash generated from operations less tax

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	1,183,542	1,679,947	
Gross return on sales	14.8%	17.8%	(3.0)%
(Loss)/profit after taxation	(53,306)	154,455	
Net return on sales	(0.6)%	1.6%	(2.2)%
Free cash flow	(542,005)	(542,596)	0.1%

The company experienced some unforeseen difficulties resulting in the drop in sales, mainly due to increased competition activity.

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:

N Vlassopoulos
M Williamson
A Gkousiakis
K Rapakoulias

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 Williamson
Director

Independent Auditors' report to the members of Titan Cement 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, the Cash Flow Statement and the related notes 1 to 22. 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.

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Independent Auditors' report to the members of Titan Cement 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 loss 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	7,972,444	9,414,394
Cost of sales		(6,788,902)	(7,734,447)
Gross profit		1,183,542	1,679,947
Selling and distribution costs		(1,071,235)	(1,357,287)
Administrative expenses		(252,004)	(228,801)
Operating (loss)/profit	3	(139,697)	93,859
Interest receivable		30,574	48,810
(Loss)/profit on ordinary activities before taxation		(109,123)	142,669
Tax on (loss)/profit on ordinary activities	6	55,817	11,786
(Loss)/profit on ordinary activities after taxation	14	(53,306)	154,455

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 9 to 18 form part of these financial statements.

Balance Sheet
As at 31 December 2006

	Note	£	2006 £	£	2005 £
Fixed assets					
Tangible fixed assets	7		248,427		243,740
Fixed asset investments	8		1		1
			248,428		243,741
Current assets					
Stocks	9	1,193,249		1,153,649	
Debtors	10	3,892,018		3,859,059	
Cash at bank		272,086		821,261	
		5,357,353		5,833,969	
Creditors: *amounts falling due within one year*	11	(3,102,925)		(3,475,369)	
Net current assets			2,254,428		2,358,600
Total assets less current liabilities			2,502,856		2,602,341
Provisions for liabilities					
Deferred tax	12		(5,813)		(51,992)
Net assets			2,497,043		2,550,349
Capital and Reserves					
Called up share capital	13		2,200,000		2,200,000
Profit and loss account	14		297,043		350,349
Shareholders' funds - All equity	15		2,497,043		2,550,349

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 Williamson
Director

The notes on pages 9 to 18 form part of these financial statements.

Cash flow statement
For the year ended 31 December 2006

	Note	2006 £	2005 £
Net cash flow from operating activities	16	(528,132)	(429,738)
Returns on investments and servicing of finance	17	30,574	48,810
Taxation		(13,873)	(112,858)
Capital expenditure and financial investment	17	(37,744)	(9,389)
Decrease in cash in the year		(549,175)	(503,175)

Reconciliation of net cash flow to movement in net funds/debt
For the year ended 31 December 2006

	2006 £	2005 £
Decrease in cash in the year	(549,175)	(503,175)
Movement in net debt in the year	(549,175)	(503,175)
Net funds at 1 January 2006	821,261	1,324,436
Net funds at 31 December 2006	272,086	821,261

The notes on pages 9 to 18 form part of these financial statements.

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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.

The company is exempt from the requirement to prepare group accounts by virtue of section 248 of the Companies Act 1985. These financial statements therefore present information about the company as an individual undertaking and not about its group.

1.2 Turnover

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

1.3 Investments

Investments in subsidiaries are valued at cost less provision for impairment.

1.4 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:

Plant & machinery	-	5-15 years
Computer equipment	-	4 years

1.5 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.

1.6 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 not discounted.

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

1. Accounting policies (continued)

1.7 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.

1.8 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.

2. Turnover

The whole of the turnover is attributable to the one continuing principal activity of the company.

All turnover arose within the United Kingdom.

3. Operating (loss)/profit

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

	2006 £	*2005* £
Depreciation of tangible fixed assets:		
- owned by the company	32,175	30,446
Auditors' remuneration	15,000	10,000
Operating lease rentals:		
- plant and machinery	3,844	2,646
- other operating leases	157,800	139,000
Difference on foreign exchange	3,244	1,052

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

4. Staff costs

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

	2006 £	*2005* £
Wages and salaries	259,546	247,866
Social security costs	28,274	27,888
Other pension costs	19,680	21,155
	307,500	296,909

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

	2006 *No.*	*2005* *No.*
Administration	3	3
Operational	5	5
	8	8

5. Directors' remuneration

	2006 £	*2005* £
Emoluments	80,990	74,577
Company pension contributions to money purchase pension schemes	19,680	21,155

During the year retirement benefits were accruing to 1 director (2005 - 1) in respect of money purchase pension schemes.

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

6. Taxation

	2006 £	2005 £
Analysis of tax credit in the year		
***Current tax** (see note below)*		
UK corporation tax (credit)/charge on (loss)/profit of the year	(28,509)	-
Adjustments in respect of prior periods	18,871	(9,165)
Total current tax	(9,638)	(9,165)
Deferred tax		
Origination and reversal of timing differences	(2,749)	(2,621)
Adjustments in respect of prior periods	(43,430)	-
***Total deferred tax** (see note 12)*	(46,179)	(2,621)
Tax on loss on ordinary activities	(55,817)	(11,786)

Factors affecting tax charge for the year

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

	2006 £	2005 £
(Loss)/profit on ordinary activities before tax	(109,123)	142,669
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 - 30%)	(32,737)	42,801
Effects of:		
Expenses not deductible for tax purposes	1,478	8,696
Capital allowances for year in excess of depreciation	2,749	2,621
Differences in tax rates on losses carried back	1	-
Non qualifying depreciation	-	257
Group relief not paid for	-	(54,375)
Adjustments to tax charge in respect of prior periods	18,871	(9,165)
***Current tax credit for the year** (see note above)*	(9,638)	(9,165)

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. Tangible fixed assets

	Plant and machinery £	Furniture, fittings and equipment £	Total £
Cost			
At 1 January 2006	3,651,898	17,955	3,669,853
Additions	34,685	4,811	39,496
Disposals	(17,137)	(677)	(17,814)
At 31 December 2006	3,669,446	22,089	3,691,535
Depreciation			
At 1 January 2006	3,419,567	6,546	3,426,113
Charge for the year	26,275	5,900	32,175
On disposals	(14,560)	(620)	(15,180)
At 31 December 2006	3,431,282	11,826	3,443,108
Net book value			
At 31 December 2006	238,164	10,263	248,427
At 31 December 2005	232,331	11,409	243,740

8. Fixed asset investments

	Shares in group undertakings £
Cost or valuation	
At 1 January 2006 and 31 December 2006	1

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

8. Fixed asset investments (continued)

Subsidiary undertaking

The following was a subsidiary undertaking of the company:

Separation Technologies UK Limited 100%

The aggregate of the share capital and reserves as at 31 December 2006 and of the profit or loss for the year ended on that date for the subsidiary undertaking was as follows:

	Aggregate of share capital and reserves	*Profit/(loss)*
	£	*£*
Separation Technologies UK Limited	(241,324)	31,914

9. Stocks

	2006	*2005*
	£	*£*
Consumables	108,103	83,659
Goods for resale	1,085,146	1,069,990
	1,193,249	1,153,649

10. Debtors

	2006	*2005*
	£	*£*
Trade debtors	1,317,886	1,508,623
Amounts owed by group undertakings	2,437,624	2,233,266
Other debtors	-	275
Prepayments and accrued income	53,994	57,892
Tax recoverable	82,514	59,003
	3,892,018	3,859,059

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

11. Creditors: Amounts falling due within one year

	2006 £	2005 £
Trade creditors	183,979	266,378
Amounts owed to group undertakings	2,634,222	2,975,797
Social security and other taxes	176,598	196,678
Other creditors and accruals	108,126	36,516
	3,102,925	3,475,369

12. Deferred taxation

	2006 £	2005 £
At 1 January 2006	51,992	54,613
Released during the year	(46,179)	(2,621)
At 31 December 2006	5,813	51,992

The provision for deferred taxation is made up as follows:

	2006 £	2005 £
Accelerated capital allowances	5,813	51,992

13. Share capital

	2006 £	2005 £
Authorised		
5,300,000 Ordinary shares of £1 each	5,300,000	5,300,000
Allotted, called up and fully paid		
2,200,000 Ordinary shares of £1 each	2,200,000	2,200,000

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

14. Reserves

	Profit and loss account £
At 1 January 2006	350,349
Loss retained for the year	(53,306)
At 31 December 2006	297,043

15. Reconciliation of movement in shareholders' funds

	2006 £	*2005* £
Opening shareholders' funds	2,550,349	2,395,894
(Loss)/profit for the year	(53,306)	154,455
Closing shareholders' funds	2,497,043	2,550,349

16. Net cash flow from operations

	2006 £	*2005* £
Operating (loss)/profit	(139,697)	93,859
Depreciation of tangible fixed assets	32,175	30,446
Loss on disposal of tangible fixed assets	882	12
Increase in stocks	(39,600)	(698,114)
Increase in debtors	(9,448)	(743,842)
(Decrease)/increase in creditors	(372,444)	887,901
Net cash outflow from operations	(528,132)	(429,738)

17. Analysis of cash flows for headings netted in cash flow statement

	2006 £	*2005* £
Returns on investments and servicing of finance		
Interest received	30,574	48,810

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

17. Analysis of cash flows for headings netted in cash flow statement (continued)

	2006	2005
	£	£
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(39,496)	(9,389)
Sale of tangible fixed assets	1,752	-
Net cash outflow from capital expenditure	(37,744)	(9,389)

18. Analysis of changes in net debt

	1 January 2006	*Cash flow*	*Other non-cash changes*	*31 December 2006*
	£	£	£	£
Cash at bank and in hand:	821,261	(549,175)	-	272,086
Net funds	821,261	(549,175)	-	272,086

19. Capital commitments

At 31 December 2006 the company had capital commitments as follows:

	2006	2005
	£	£
Contracted for but not provided in these financial statements	189,338	-

20. 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 £19,680 (2005 £21,155).

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

21. Operating lease commitments

At 31 December 2006 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		*Other*	
	2006	*2005*	*2006*	*2005*
	£	*£*	*£*	*£*
Expiry date:				
Within 1 year	-	-	1,996	1,968
Between 2 and 5 years	-	-	4,486	-
After more than 5 years	157,800	157,800	-	-

22. Controlling party and related party transactions

The directors consider the company's ultimate parent undertaking and controlling party to be 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.