

**Iapetos Limited**

31 December 2007

# **Iapetos Limited**

## **Report and financial statements 31 December 2007**

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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-1505 Nicosia  
Cyprus

### **Registered office**

2 - 4 Arch. Makarios III Avenue  
Capital Centre, 9<sup>th</sup> 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 2007.

### **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 2007 the Company had a loss for the year of €767,295 in comparison to the loss for 2006 of €930,746. The main reason for this fluctuation was mainly the fair value loss on forward currency contracts of €106,073 compared to €549,707 loss in 2006 and the increase in the administrative expenses from €800,459 in 2006 to €1,068,383 in 2007. 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 2007 and at the date of this report are shown on page 1. All of them were members of the Board throughout the year 2007.

# 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 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 2008

ΕΠΙΧΕΙΡΗΣΙΑΚΟ  
ΣΥΜΒΟΥΛΙΟ

## Independent Auditors' 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 28, which comprise the balance sheet as at 31 December 2007, 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 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.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. 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 2007, 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 European Union and the requirements of the Cyprus Companies Law, Cap 113.

(4)

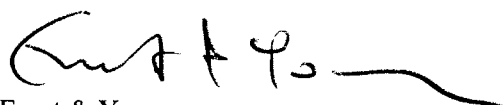
### **Report on Other Legal Requirements**

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.

### **Other Matter**

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 156 of the Companies Law, Cap.113 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.



Ernst & Young  
Chartered Accountants

Nicosia  
28 February 2008

# Iapetos Limited

## Income Statement for the year ended 31 December 2007

	Note	2007 €	2006 €
Fair value losses on forward currency contracts	13	(106,073)	(549,707)
Franchise fee income		679,969	442,076
Dividend income		10,767	9,310
Other gains	5	25,242	430,996
Administrative expenses	8	(1,068,383)	(809,959)
<b>Operating loss</b>		<b>(458,478)</b>	<b>(477,284)</b>
Finance costs - net	6	(256,290)	(410,363)
<b>Loss before tax</b>		<b>(714,768)</b>	<b>(887,647)</b>
Tax	7	(52,527)	(43,099)
<b>Loss for the year</b>		<b>(767,295)</b>	<b>(930,746)</b>

The notes on pages 10 to 28 are an integral part of these financial statements.



# Iapetos Limited

## Balance sheet at 31 December 2007

	Note	2007 €	2006 €
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	9	2,331,173	2,533,883
Investments in subsidiary undertakings and joint ventures	10	110,672,697	110,672,697
Available for sale investments	11	2,319,120	1,427,108
		<u>115,322,990</u>	<u>114,633,688</u>
<b>Current assets</b>			
Trade and other receivables	12	2,173,936	1,500,805
Tax recoverable		20,228	20,228
Fair value of open forward currency contracts	13	642,953	-
Cash and cash equivalents	14	372,778	1,101,355
		<u>3,209,895</u>	<u>2,622,388</u>
<b>Total assets</b>		<u>118,532,885</u>	<u>117,256,076</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		2,240,811	2,240,811
Net unrealised gains reserve		(171,950)	(304,072)
Accumulated losses		(4,643,860)	(3,876,565)
		<u>103,230,494</u>	<u>103,865,667</u>
<b>Non-current liabilities</b>			
Deferred revenue	16	3,107,484	2,138,076
<b>Current liabilities</b>			
Payables and other accruals	17	11,613,975	9,932,098
Fair value of open forward currency contracts	13	-	988,963
Deferred revenue	16	580,932	331,272
		<u>12,194,907</u>	<u>11,252,333</u>
<b>Total liabilities</b>		<u>15,302,391</u>	<u>13,390,409</u>
<b>Total equity and liabilities</b>		<u>118,532,885</u>	<u>117,256,076</u>

On 28 February 2008 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 28 are an integral part of these financial statements.

# Iapetos Limited

## Statement of changes in equity for the year ended 31 December 2007

	Note	Share capital €	Share Premium (1) €	Exchange difference retranslation reserve (3) €	Net Unrealised gains reserve €	Retained earnings/ (Accumulated losses) (2) €	Total €
<b>Balance at 1 January 2006</b>		107,462	105,698,031	2,647,438	-	(3,352,446)	105,100,485
Loss for the year		-	-	-	-	(930,746)	(930,746)
Net unrealised losses on available for sale investments		-	-	-	(304,072)	-	(304,072)
Translation reserve transfer		-	-	(406,627)	-	406,627	-
<b>Balance at 31 December 2006/1 January 2007</b>		107,462	105,698,031	2,240,811	(304,072)	(3,876,565)	103,865,667
Loss for the year		-	-	-	-	(767,295)	(767,295)
Net unrealised gains on available for sale investments	11	-	-	-	132,122	-	132,122
<b>Balance at 31 December 2007</b>		107,462	105,698,031	2,240,811	(171,950)	(4,643,860)	103,230,494

- (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) There is no withholding tax on payments of dividends by the Company to non-resident shareholders or shareholders that are companies resident in Cyprus. Payments of dividends to shareholders that are physical persons resident in Cyprus are subject to a 15% withholding tax. 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 2005, 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 28 are an integral part of these financial statements.

# Iapetos Limited

## Cash flow statement for the year ended 31 December 2007

	Note	2007 €	2006 €
<b>Cash flows from operating activities</b>			
Loss before tax		(714,768)	(887,647)
Adjustments for:			
Interest expense	6	(263,689)	550,156
Amortisation of intangible asset	9	202,710	202,711
		<u>(775,747)</u>	<u>(134,780)</u>
Changes in working capital:			
Other receivables		(674,321)	(21,692)
Other payables		1,945,563	1,331,727
Fair value of open forward currency contracts		(1,631,916)	(2,732,595)
Deferred revenue		1,219,068	(337,596)
		<u>82,647</u>	<u>(1,894,936)</u>
<b>Cash generated from / (used in) operations</b>		<b>82,647</b>	<b>(1,894,936)</b>
Tax paid		(51,334)	(43,099)
		<u>31,313</u>	<u>(1,938,035)</u>
<b>Net cash from / (used in) operating activities</b>			
<b>Cash flows from investing activities</b>			
Increase in available for sale investments	11	(759,890)	(1,731,180)
Increase in investment in subsidiary undertakings	10	-	-
		<u>(759,890)</u>	<u>(1,731,180)</u>
<b>Net cash used in investing activities</b>			
<b>Cash flows from financing activities</b>			
Interest paid		-	(18,909)
		<u>-</u>	<u>(18,909)</u>
<b>Net cash used in financing activities</b>			
<b>Net decrease in cash and bank balances</b>		<b>(728,577)</b>	<b>(3,688,124)</b>
<b>Cash and bank balances at beginning of year</b>		<b>1,101,355</b>	<b>4,789,479</b>
		<u>372,778</u>	<u>1,101,355</u>
<b>Cash and bank balances at end of year</b>	14	<b>372,778</b>	<b>1,101,355</b>

The notes on pages 10 to 28 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, 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 fly ash beneficiation technology.

### 2 Summary of significant accounting policies

The principal accounting policies adopted 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 the requirements of the Cyprus Companies Law, Cap.113.

These financial statements are separate parent financial statements of the Company. Consolidated financial statements, which would include the financial statements of the Company and its subsidiary undertakings 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.

#### New Standards

As from 1 January 2007, the Company has adopted the following new and amended IFRS and IFRIC Interpretations:

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

# Iapetos Limited

## 2 Summary of significant accounting policies (continued)

### Basis of preparation (continued)

*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*

*IFRIC 10, Interim Financial Reporting and Impairment*

Adoption of the above did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures. The principal effects of these changes are as follows:

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

IFRS 7 requires additional disclosure of qualitative and quantitative information regarding exposure to risks arising from financial instruments. In particular, it specifies minimum disclosures about credit risk, liquidity risk and market risk. IFRS 7 replaces IAS 30 'Disclosures in the Financial Statements of Banks and Similar Financial Institutions' and the disclosure requirements in IAS 32 'Financial Instruments: Disclosure and Presentation'.

The amendment to IAS 1 introduces disclosures relating to the level of the Group's capital and the Group's objectives, policies and processes for managing capital.

The new disclosures are included throughout the financial statements. Comparative information has been revised where needed.

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

Up to the date of approval of the financial statements, 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 Group has not early adopted, as follows:

*Issued by the IASB and adopted by the EU*

IFRS 8, Operating Segments

IFRIC 11, IFRS 2-Group and Treasury Share Transactions

*Issued by the IASB but not yet adopted by the EU*

Amendment to IAS 23, Borrowing Costs

IFRIC 12, Service Concession Arrangements

IFRIC 13, Customer Loyalty Programmes

# Iapetos Limited

## 2 Summary of significant accounting policies (continued)

### Basis of preparation (continued)

IFRIC14, IAS19- Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Amendments to IAS 1 Presentation of Financial Statements

The above are expected to have no impact on the Company's financial statements, other than certain changes to the presentation of its financial statements, as required by the Amendments to IAS1 that are applicable in 2009.

### 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)**

### **Investments in subsidiary undertakings**

Subsidiaries include all companies that are controlled 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.

### **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.

# Iapetos Limited

## 2 Summary of significant accounting policies (continued)

### Exchange difference retranslation reserve (continued)

In 2006 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) Interest rate risk

Interest rate is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company has interest-bearing assets and it borrows at fixed rates. Interest income earned on cash at bank is susceptible to changes in market interest rates. The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

#### (ii) 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.

#### (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 €1,547,781 and British Pounds (GBP) of €1,370,878. 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 €642,953 asset (2006:€988,963 liability).

# Iapetos Limited

## 3 Financial Risk Management (continued)

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

#### (iv) 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 2007, current liabilities exceed current assets by €8,985,012 (2006: €8,629,945); however there is no liquidity risk since current liabilities mainly comprise of amounts payable to fellow subsidiaries.

The table below summarises the maturity profile of the Company's financial liabilities as at the year end.

	2007					Total €
	On demand €	Less than 3 months €	6 to 12 months €	1 to 5 years €	> 5 years €	
Borrowings	-	-	-	-	-	-
Other non current liabilities	-	-	-	3,107,484	-	3,107,484
Trade and other payables	10,694,936	146,214	448,929	-	904,828	12,194,907
	<u>10,694,936</u>	<u>146,214</u>	<u>448,929</u>	<u>3,107,484</u>	<u>904,828</u>	<u>15,302,391</u>
	2006					Total €
	On demand €	Less than 3 months €	6 to 12 months €	1 to 5 years €	> 5 years €	
Borrowings	-	-	-	-	-	-
Other non current liabilities	-	-	-	2,138,076	-	2,138,076
Trade and other payables	8,331,247	166,588	248,454	-	1,517,081	10,263,370
	<u>8,331,247</u>	<u>166,588</u>	<u>248,454</u>	<u>2,138,076</u>	<u>1,517,081</u>	<u>12,401,446</u>

### (b) Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder wealth.

To meet its objectives the Company monitors economic conditions and finances its business by internally generated funds, adjusting dividend payments and return of capital to its shareholder accordingly or issue new shares. In the event of temporary financing needs, the Company is financed by its shareholder and fellow Group Companies.

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## 3 Financial Risk Management (continued)

### (b) Capital Management (continued)

This policy ensures an optimal capital structure with reduced cost of capital. For the purposes of calculating the cost of capital, capital is considered to be the weighted sum of the Company's equity and debt.

No changes were made in the objectives, policies and processes during the years ended 31 December 2007 and 31 December 2006.

### (c) Fair value estimation

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

	Carrying amount		Fair value	
	2007	2006	2007	2006
	€	€	€	€
<b>Financial assets</b>				
Available for sale financial investments	2,319,120	1,427,108	2,319,120	1,427,108
Receivables and prepayments	2,194,164	1,521,033	2,194,164	1,521,033
Cash and cash equivalents	372,778	1,101,355	372,778	1,101,355
Derivative financial instruments	642,953	-	642,953	-
<b>Financial liabilities</b>				
Borrowings	10,694,936	8,331,247	10,694,936	8,331,247
Other non current liabilities	3,107,484	2,138,076	3,107,484	2,138,076
Trade and other payables	1,499,971	1,932,123	1,499,971	1,932,123
Derivative financial instruments	-	988,963	-	988,963

## 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

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## 4 Critical accounting estimates and judgements (continued)

### (i) Deferred revenue (continued)

estimates (i.e. the commissioning starts earlier) than 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 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 2007 or as at 31 December 2006.

### (ii) Impairment of non-financial assets

The Company periodically evaluates the recoverability of non-financial assets such as investments in subsidiaries, joint ventures, available for sale, intangible assets whenever indicators of impairment are present. Indicators of impairment include such items as declines in market values, revenues, earnings, cash flows or net asset value which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that non-financial assets may be impaired, the estimated future discounted cash flows associated with these assets would be compared to their carrying amounts to determine if a write-down to the income statement is necessary.

## 5 Other gains

	2007	2006
	€	€
Interest income:		
Bank balances	25,242	430,996
	<u>25,242</u>	<u>430,996</u>

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## 6 Finance costs - net

	2007	2006
	€	€
Interest expense:		
Interest expense	-	(18,909)
Loan interest expense charged by related parties	(263,689)	(531,247)
Net foreign exchange transaction gains	7,399	139,793
	<u>(256,290)</u>	<u>(410,363)</u>

## 7 Tax

	2007	2006
	€	€
Current tax:		
Withholding tax	50,000	-
Defence contribution	2,527	43,099
	<u>52,527</u>	<u>43,099</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 2007 the Company had tax losses carried forward of CY£13,355,143 (2006: CY£12,162,703) 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

	2007	2006
	€	€
Amortisation of intangible asset: Licences	202,710	202,711
Accountancy and administrative	14,665	23,519
Auditors' remuneration	6,664	7,384
Legal fees	294,526	1,697
Sundry expenses	9,124	7,619
Salaries and related costs	122,612	43,740
Recharge of expatriate services for subsidiary	109,679	128,990
Amounts written off	-	9,500
Travelling expenses	118,403	44,209
Consultancy fees	190,000	334,266
Training and installation expenses	-	6,324
Total administrative expenses	<u>1,068,383</u>	<u>809,959</u>



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## 9 Intangible asset: Licences

	2007 €	2006 €
<b>Cost</b>		
At 1 January and 31 December	<b>3,040,660</b>	3,040,660
<b>Amortisation</b>		
At 1 January	<b>506,777</b>	304,066
Amortisation charge	<b>202,710</b>	202,711
At 31 December	<b>709,487</b>	506,777
<b>Net book amount</b>		
At 31 December	<b>2,331,173</b>	2,533,883

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

	%	Nature of	2007	2006
	shareholding	Activities	€	€
<b>At cost</b>				
<b>Investment in Joint Ventures:</b>				
Lafarge Titan Egyptian Investments Limited	50	Investment Holding Company	<b>109,104,724</b>	109,104,724
Beni Suef Cement Company (1)	0.001	Production of Cement	<b>2,243</b>	2,243
<b>Investment in subsidiary undertaking:</b>				
Separation Technologies Canada Limited (2)	100	Fly Ash Technology	<b>1,565,730</b>	1,565,730
			<b>110,672,697</b>	110,672,697

(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), a Jersey registered Company, holds directly and indirectly 99.999% of the share capital of Beni Suef Cement Company.

(2) Separation Technologies Canada Limited was incorporated in Canada as a 100% subsidiary of the Company.

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## 11 Available for sale investments –unquoted

	2007 €	2006 €
Balance at 1 January	1,427,108	-
Additions	759,890	1,731,180
Fair value adjustment	132,122	(304,072)
At 31 December	<u>2,319,120</u>	<u>1,427,108</u>

(1) In 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 2007 the Company had invested €2,129,484 (2006: €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).

## 12 Trade and other receivables

	2007 €	2006 €
Other receivables	2,166,658	1,493,448
Receivables from related party (Note 18)	7,278	5,851
Prepayments	-	1,506
	<u>2,173,936</u>	<u>1,500,805</u>

Other receivables and prepayments include receivables of €1,363,600 (2006:€1,489,200) 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 (2007:€1,363,600 and 2006:€1,489,200) is 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.

Other receivables and prepayments also include receivables of €800,000 from the license during the year to a third party of the use of the fly ash beneficiation technology (Note 9).

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## 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 2007 and 2006. Nominal amounts indicate the volume of transactions outstanding at the balance sheet date. The contracts will be utilised in the next twelve months.

	2007		2006	
	Nominal amount US\$	Fair value €	Nominal amount US\$	Fair value €
Forward currency contracts	<u>12,698,098</u>	<u>642,953</u>	<u>20,640,685</u>	<u>(988,963)</u>
			2007 €	2006 €
<b>Fair value (losses)/gains on forward currency contracts (charged)/credited to income statement</b>				
Realised loss on closed forward currency contracts			(1,739,989)	(3,282,302)
Fair value gains /(loss) on open forward currency contracts credited /(charged) to income statement			1,631,916	2,732,595
			<u>(106,073)</u>	<u>(549,707)</u>

## 14 Cash and cash equivalents

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

	2007 €	2006 €
Cash at bank	<u>372,778</u>	<u>1,101,355</u>

## 15 Share capital and share premium

	Number of shares	2007		Share premium €
		Issued Share capital CY£	Issued Share capital €	
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>
			2006	
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>

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## 15 Share capital and share premium (continued)

The total authorised number of ordinary shares is 75 000 with a par value of C£1 per share. All issued shares are fully paid. The share capital of the Company will be converted from Cyprus pounds (CY£) to Euro during 2008, due to the abolishment of the Cyprus pound and the introduction of the Euro.

## 16 Deferred revenue

	2007 €	2006 €
Non-current	3,107,484	2,138,076
Current	580,932	331,272
	<u>3,688,416</u>	<u>2,469,348</u>

### *License A*

The Company licensed to a third party the use of the fly ash beneficiation technology (Note 9). The total consideration for the licence was GBP2.250.000 of which GBP1.250.000 was paid to the Company on inception of the licence and the remaining GBP1.000.000 (€1,363,600) 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 €1,363,600 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.

### *Licence B*

On 28 February 2007, the Company licensed to a third party the use of fly ash beneficiation technology (Note 9). Based on the agreement with the third party, an amount of €1,000,000 was received on the inception of the licence agreement and €800,000 is receivable. The amount of €1,000,000 received on the inception of the licence 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 from the inception date to 31 March 2012. The second payment of €0,8m will be amortised, starting upon receipt, until 31 March 2012.

In addition, the licensee has the right to extend the agreement for further period after 31 March 2012 at a fee of €1,500,000 upon the parties' agreement. This fee will be recognised once the amount is received.

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## 17 Payables and other accruals

	Note	2007 €	2006 €
Payables to related parties	18(b)	11,599,764	9,848,328
Other payables and accrued expenses		14,208	83,770
Taxation		3	-
		<u>11,613,975</u>	<u>9,932,098</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:

	2007 €	2006 €
Fellow group company	<u>99,037</u>	<u>104,480</u>

### (b) Year-end balances with related parties:

	Nature of transactions	2007 €	2006 €
Receivables from related party:			
Fellow group company	Trading	<u>7,278</u>	<u>5,851</u>
Payables to related parties:			
Fellow group company (1)	Trading	904,828	1,517,081
Fellow group company (2)	Financing	10,694,936	8,331,247
		<u>11,599,764</u>	<u>9,848,328</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 2007 is €904,828 (2006:€1.517.081). The amount due to fellow company is unsecured and interest free.
- (2) The loan to related party is unsecured, at an interest rate of 3% p.a. and are repayable on demand. The total interest charged by the related party for 2007, was €263,689 (2006: €531,247).

# **Iapetos Limited**

## **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 2007 the amount of €2,129,484 (2006: €1,245,484) has been paid.

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