

IAPETOS LIMITED

REPORT AND FINANCIAL STATEMENTS
31 December 2011

IAPETOS LIMITED

REPORT AND FINANCIAL STATEMENTS

31 December 2011

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IAPETOS LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:

Stelios Triantafillides
Arta Antoniou
Spyroulla Papaeracleous

Company Secretary:

A.T.S. Services Limited
2-4 Arch. Makarios III Avenue
CY-1505 Nicosia
Cyprus

Independent Auditors:

Ernst & Young Cyprus Limited
Certified Public Accountants & Registered Auditors
36 Byron Avenue
1511 Nicosia, Cyprus

Registered office:

2-4 Arch. Makarios III Avenue
Capital Center, 9th floor
CY-1505 Nicosia
Cyprus

IAPETOS LIMITED

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report and audited financial statements of the Company for the year ended 31 December 2011.

Principal activities

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 markets, franchises and otherwise promotes certain beneficiation technology.

Review of current position, future developments and significant risks

As at 31 December 2011 the Company had a profit for the year of €50,843,105 in comparison to the profit for 2010 of €149,393,370. The main reason for this fluctuation was mainly the dividend income of €43,767,150 compared to €142,126,745 in 2010. 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.

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

Results and Dividends

The Company's results for the year are set out on page 5. The Board of Directors does not recommend the payment of a dividend and the net profit for the year is retained.

Share capital

There were no changes in the share capital of the Company during the year under review. During the year 2010 the Board of Directors of the Company decided to reduce the share premium by €81,000,000 by submitting a court order.

Board of Directors

The members of the Company's Board of Directors as at 31 December 2011 and at the date of this report are presented on page 1. All of them were members of the Board throughout the year ended 31 December 2011.

In accordance with the Company's Articles of Association all directors presently members of the Board continue in office.

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

Events after the reporting period

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

Independent Auditors

The Independent Auditors, Ernst & Young Cyprus Limited, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,



Stelios Triantafyllides
Director

Nicosia, Cyprus, 30 April 2012

Independent Auditor's Report

To the Members of Iapetos Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Iapetos Limited (the "Company"), which comprise the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 of financial statements that give a true and fair view 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 at 31 December 2011, 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.

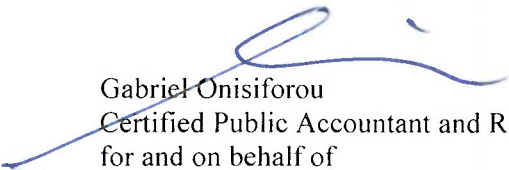
Report on Other Legal Requirements

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009, 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 Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors 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 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009 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.



Gabriel Onisiforou
Certified Public Accountant and Registered Auditor
for and on behalf of

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Nicosia
30 April 2012

IAPETOS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	Note	2011 €	2010 €
Other income	5	1,808,985	5,162,094
Net profit from investing activities	6	49,605,929	144,816,336
Administration expenses		(537,006)	(529,977)
Profit before tax		50,877,908	149,448,453
Tax	9	(34,803)	(55,084)
Net profit for the year		50,843,105	149,393,369
Other comprehensive income			
Available-for-sale financial assets - Fair value gains		(111,635)	(214,114)
Other comprehensive income for the year		(111,635)	(214,114)
Total comprehensive income for the year		50,731,470	149,179,255

The notes on pages 9 to 23 form an integral part of these financial statements.

IAPETOS LIMITED

STATEMENT OF FINANCIAL POSITION

31 December 2011

	Note	2011 €	2010 €
ASSETS			
Non-current assets			
Intangible assets	10	1,520,332	1,723,040
Investments in subsidiary and other group subsidiaries	11	427,977,752	427,977,752
Available-for-sale financial assets- unquoted	12	1,989,227	2,057,862
Loans receivable - principal	13	138,960,287	108,576,860
		<u>570,447,598</u>	<u>540,335,514</u>
Current assets			
Trade and other receivables	14	921,386	2,208,494
Other receivables	13	16,115,596	17,594,228
Refundable taxes		20,170	20,170
Cash and cash equivalents	15	23,407,884	382,205
		<u>40,465,036</u>	<u>20,205,097</u>
Total assets		<u>610,912,634</u>	<u>560,540,611</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	16	379,292	379,292
Share premium		341,426,996	341,426,996
Other reserves		1,513,067	1,624,702
Retained earnings		267,483,041	216,639,937
Total equity		<u>610,802,396</u>	<u>560,070,927</u>
Non-current liabilities			
Deferred revenue	18	47,021	319,111
		<u>47,021</u>	<u>319,111</u>
Current liabilities			
Trade and other payables	17	32,537	23,824
Deferred revenue	18	30,680	126,749
		<u>63,217</u>	<u>150,573</u>
Total liabilities		<u>110,238</u>	<u>469,684</u>
Total equity and liabilities		<u>610,912,634</u>	<u>560,540,611</u>

On 30 April 2012 the Board of Directors of Iapetos Limited authorised these financial statements for issue.

.....
Stelios Triantafyllides
Director

.....
Arta Antoniou
Director

The notes on pages 9 to 23 form an integral part of these financial statements.

IAPETOS LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

	Note	Share capital €	Share premium €	Fair value reserve available-for- sale financial assets €	Translation reserve €	Retained earnings €	Total €
Balance - 1 January 2010		379,292	422,426,996	(401,995)	2,240,811	67,246,567	491,891,671
Comprehensive income							
Net profit for the year		-	-	-	-	149,393,369	149,393,369
Other comprehensive income for the year		-	-	(214,114)	-	-	(214,114)
Share premium reduction		-	(81,000,000)	-	-	-	(81,000,000)
Balance at 31 December 2010		379,292	341,426,996	(616,109)	2,240,811	216,639,936	560,070,926
Balance at 31 December 2010/ 1 January 2011		379,292	341,426,996	(616,109)	2,240,811	216,639,936	560,070,926
Net profit for the year		-	-	-	-	50,843,105	50,843,105
Other comprehensive income for the year		-	-	(111,635)	-	-	(111,635)
Balance at 31 December 2011		379,292	341,426,996	(727,744)	2,240,811	267,483,041	610,802,396

Share premium is not available for distribution.

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter (in 2011 the rate was 15% up to 31 August 2011 and 17% thereafter) will be payable on such deemed dividends distribution. Profits and to the extent that these are attributable to shareholders, who are not tax resident of Cyprus and own shares in the Company either direct and/or indirectly at the end of two years from the end of the tax year to which the profits relate are exempted. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

Translation reserve is explained in Note 2 to the financial statements.

The notes on pages 9 to 23 form an integral part of these financial statements.

IAPETOS LIMITED

STATEMENT OF CASH FLOWS

Year ended 31 December 2011

	Note	2011 €	2010 €
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		50,877,908	149,448,453
Adjustments for:			
Unrealised exchange (profit)		(93,285)	(90,875)
Amortisation of marketing rights	10	202,711	202,711
Dividend income	6	(43,767,150)	(142,126,745)
Interest income	6	(73,186)	(400,843)
Cash flows from operations before working capital changes		7,146,998	7,032,701
Decrease / (increase) in trade and other receivables		1,287,108	(132,746)
Increase / (decrease) in trade and other payables		7,611	(455,258)
Cash flows from operations		8,441,717	6,444,697
Tax paid		(33,705)	(55,084)
Net cash flows from operating activities		8,408,012	6,389,613
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of available-for-sale financial assets		(43,001)	(137,000)
Payment for purchase of investments in subsidiaries	11	-	(3,139,600)
Loans granted		(28,904,795)	(62,799,228)
Interest received		73,186	400,843
Dividends received		43,767,150	142,126,745
Net cash flows from investing activities		14,892,540	76,451,760
CASH FLOWS FROM FINANCING ACTIVITIES			
Share premium reduction		-	(81,000,000)
Amortisation of deferred revenue		(368,160)	(1,843,692)
Unrealised exchange profit		93,285	90,875
Net cash flows used in financing activities		(274,875)	(82,752,817)
Net increase in cash and cash equivalents		23,025,677	88,556
Cash and cash equivalents:			
At beginning of the year		382,207	293,651
At end of the year	15	23,407,884	382,207

The notes on pages 9 to 23 form an integral part of these financial statements.

IAPETOS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

1. Incorporation and principal activities

Country of incorporation

The Company Iapetos Limited was incorporated in Cyprus on 9 March 1998 as a limited liability Company under the Cyprus Companies Law, Cap. 113. Its registered office is at 2-4 Arch. Makarios III Avenue, Capital Center, 9th floor, CY-1505 Nicosia, Cyprus.

Principal activities

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 markets, franchises and otherwise promotes certain beneficiation technology.

2. 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. The financial statements have been prepared under the historical cost convention.

These financial statements are the 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 IFRS consolidated financial statements are 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 and Separate Financial Statements" 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.

Adoption of new and revised IFRSs

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Company has adopted all the new and amended IFRS and IFRIC interpretations that are effective as of 1 January 2011. The adoption did not have a material effect on the accounting policies of the Company.

Subsidiary companies and other group companies

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 and other group companies 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 statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

2. Accounting policies (continued)

Intangible assets: Licenses

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.

Revenue recognition

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

- **Franchise income**

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

- **Interest income**

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

- **Dividend income**

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

Foreign currency translation

(1) *Functional and presentation currency*

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Euro (€), which is the Company's functional and presentation currency.

(2) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. Translation differences on available-for-sale financial assets are recognised in other comprehensive income and then included in the fair value reserve in equity.

Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax liabilities and assets 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 reporting 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. Currently enacted tax rates are used in the determination of deferred tax.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

2. Accounting policies (continued)

Financial instruments

Derivative financial instruments which include forward currency contracts are initially recognised in the statement of financial position 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 statement of comprehensive income. Realised gains and losses from forward currency contracts are credited/charged to the income statement in the year in which they are incurred.

Loans granted

Loans originated by the Company by providing money directly to the borrower are categorised as loans and are carried at amortised cost. This is defined as the fair value of cash consideration given to originate those loans as is determined by reference to market prices at origination date. All loans are recognised when cash is advanced to the borrower.

An allowance for loan impairment is established if there is objective evidence that the Company will not be able to collect all amounts due according to the original contractual terms of loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans.

Investments

The Company classifies its investments in equity and debt securities in the following categories: financial assets at fair value through profit or loss, 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.

- Financial assets at fair value through profit or loss

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

- Held-to-maturity investments

Investments with fixed or determinable payments and fixed maturity that the Management has the positive intent and ability to hold to maturity, other than loans and receivables originated by the Company, are classified as held-to-maturity investments. Such investments are included in non-current assets, except for maturities within twelve months from the reporting date, which are classified as current assets.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

2. Accounting policies (continued)

Financial instruments (continued)

Investments (continued)

- Available-for-sale financial assets

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; these are included in non-current assets unless Management has the express intention of holding the investment for less than 12 months from the reporting date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

- 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 reporting date. These are classified as non-current assets.

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. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

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 statement of comprehensive income in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and then in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the statement of comprehensive income.

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

The Company assesses at each reporting 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 statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand. Cash and short term deposits in the statement of financial position comprise cash at banks and at hand and short term deposits with an original maturity of three months or less.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

2. Accounting policies (continued)

Financial instruments (continued)

Borrowings

Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any differences between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Impairment of assets

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

Share capital

Ordinary shares are classified as equity.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects 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.

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.

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.

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 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.

Comparatives

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

IAPETOS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

3. Financial risk management

Financial risk factors

The Company is exposed to credit risk, liquidity risk, and capital risk management arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

3.1 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 available-for-sale financial assets and financial assets 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 the investment portfolio.

3.2 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's Management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

3.3 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 liquid current assets and by having available an adequate amount of committed credit facilities.

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

31 December 2011

	Carrying amounts	3 months or less	Between 3-12 months	Between 1-5 years
	€	€	€	€
Deferred revenue	77,701	-	-	77,701
Trade and other payables	31,435	31,435	-	-
	<u>109,136</u>	<u>31,435</u>	<u>-</u>	<u>77,701</u>

31 December 2010

	Carrying amounts	3 months or less	Between 3-12 months	Between 1-5 years
	€	€	€	€
Deferred revenue	319,111	-	-	319,111
Trade and other payables	150,573	23,824	126,749	-
	<u>469,684</u>	<u>23,824</u>	<u>126,749</u>	<u>319,111</u>

3.4 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 recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency. At the year end the Company had certain balances denominated in US Dollar of €1,003,000 (2010:€1,808,362) and British Pounds (GBP) of €37,659 (2010:€1,738,378). 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 €772,266 asset (2010: €1,745,452 asset).

3.5 Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from last year.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

3. Financial risk management (continued)

Fair value estimation

The fair values of the Company's financial assets and liabilities approximate their carrying amounts at the reporting date.

4. Critical accounting estimates and judgements

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

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:

- **Income taxes**

Significant judgement 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.

- **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.

- **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. If the timing of the commissioning by the third party of the third fly ash beneficiation technology differs from Management's estimates (i.e. the commissioning starts earlier) then a significant franchise income will be recognised in the income statement of the year the commissioning will start.

5. Other income

	2011	2010
	€	€
Other income - signing fee	368,160	451,018
Other income - franchise fee	513,770	2,192,140
Fair value gains on forward currency contracts	927,055	2,518,936
	<u>1,808,985</u>	<u>5,162,094</u>

IAPETOS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

6. Net profit from investing activities

	2011	2010
	€	€
Franchise fee interest	-	9,663
Loan interest commitment fee	139,659	72,778
Interest income - Loan balances (Note 19.3)	5,371,825	1,654,258
Interest income - Bank balances	73,186	400,843
Exchange profit	254,109	552,049
Dividend income (Note 19.4)	43,767,150	142,126,745
	<u>49,605,929</u>	<u>144,816,336</u>

7. Operating profit

	2011	2010
	€	€
Operating profit is stated after charging the following items:		
Directors' fees	-	-
Amortisation of intangibles (included in "Administration expenses") (Note 10)	202,711	202,711
Staff costs (Note 8)	30,000	40,694
Auditors' remuneration - current year	6,000	6,700
Auditors' remuneration - prior years	(735)	-
	<u>(735)</u>	<u>-</u>

8. Staff costs

	2011	2010
	€	€
Wages and salaries	30,000	40,694
	<u>30,000</u>	<u>40,694</u>

9. Tax

	2011	2010
	€	€
Overseas tax	26,268	15,000
Defence contribution - current year	8,520	40,084
Tax penalty expense	15	-
Charge for the year	<u>34,803</u>	<u>55,084</u>

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

	2011	2010
	€	€
Profit before tax	<u>50,877,908</u>	<u>149,448,453</u>
Tax calculated at the applicable tax rates	5,087,791	14,944,845
Tax effect on income that is not subject to tax	97,318	188,016
Tax effect of allowances carried forward	(4,384,033)	(14,554,267)
Tax effect of tax losses brought forward	(801,008)	(578,594)
Defence charge	8,535	40,084
Overseas tax in excess of credit claim used during the year	26,268	15,000
Tax charge	<u>34,803</u>	<u>55,084</u>

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NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

The corporation tax rate is 10%.

As at 31 December 2011, the Company had no tax liability for income tax due to tax losses suffered. At 31 December 2011 the Company had tax losses carried forward to €7,439,122 (2010: €15,488,221) 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 the tax losses carried forward.

Under certain conditions interest income may be subject to defence contribution at the rate of 15% (10% up to 30 August 2011). In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter (in 2011 the rate was 15% up to 30 August 2011 and 17% thereafter).

10. Intangible assets: Licences

	€
Cost	
Balance - 1 January 2010	<u>3,040,660</u>
Balance at 31 December 2010	<u>3,040,660</u>
Balance at 31 December 2010/ 1 January 2011	<u>3,040,660</u>
Balance at 31 December 2011	<u>3,040,660</u>
Amortisation	
Balance - 1 January 2010	1,114,910
Amortisation for the year (Note 7)	<u>202,711</u>
Balance at 31 December 2010	<u>1,317,621</u>
Balance at 31 December 2010/ 1 January 2011	<u>1,317,621</u>
Amortisation for the year (Note 7)	<u>202,711</u>
Balance at 31 December 2011	<u>1,520,332</u>
Net book amount	
Balance at 31 December 2011	<u>1,520,332</u>
Balance at 31 December 2010	<u>1,723,039</u>

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

IAPETOS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

11. Investments in subsidiary and other group subsidiaries

	2011	2010
	€	€
On 1 January	427,977,752	424,838,152
Additions	-	3,139,600
Balance at 31 December	427,977,752	427,977,752

The details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	2011 Holding %	2010 Holding %	2011 €	2010 €
Separation Technologies Canada Limited	Canada	Fly Ash Technology	100	100	1,565,730	1,565,730
Alexandria Portland Cement Co (1)	Egypt	Production of cement	0.89	0.89	3,443,910	3,443,910
Beni Suef Cement Company	Egypt	Production of cement	0.001	0.001	3,659	3,659
Titan Egyptian Investments Limited	Egypt	Investment Holding Company	100	100	422,964,453	422,964,453
					427,977,752	427,977,752

In the opinion of the directors and management of the Company, the carrying values of the investments in subsidiaries are lower from their recoverable amounts.

(1) During the year 2010 the Company acquired additional issued share capital of Alexandria Portland Cement Company for a total consideration of €3,139,600 maintaining the 0.89% shareholding.

Alexandria Portland is a listed company in Cairo Stock exchange. Alexandria Portland is a subsidiary of the Company's ultimate parent, Titan Cement SA. Certain group companies of Titan Cement SA own various percentage holdings in Alexandria Portland. Therefore it is the Group's policy to account for the sub-holdings in each group company's individual accounts at cost subject to impairment. The Group carried out an impairment test of the investment's relevant CGU as a whole and concluded that its value in use is greater than its carrying amount in the financial statements. At 31 December 2011, the market value of the shares that the Company has in Alexandria Portland amount to €3.618.519.

The remaining shareholding in Alexandria Portland Cement Co and Beni Suef Cement Company is held by other group companies.

12. Available-for-sale financial assets- unquoted

	2011	2010
	€	€
On 1 January	2,057,861	2,134,975
Additions	43,001	137,000
Fair value change through equity	(111,635)	(214,114)
Balance at 31 December	1,989,227	2,057,861
Balance at 31 December	1,989,227	2,057,861

IAPETOS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

12 Available-for-sale financial assets- unquoted (continued)

(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 2011 the Company had invested €2,649,284 (2009: €2,606,284).

(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).

13. Loans receivable

The loans are repayable as follows:

Loans to related companies - current (Note 19.3)	155,075,883	126,171,088
Less current portion	<u>(1,150,596)</u>	<u>(444,228)</u>
	<u>153,925,287</u>	<u>125,726,860</u>

14. Trade and other receivables

	2011	2010
	€	€
Fair value of open forward currency contracts	772,266	1,745,452
Receivables from related companies (Note 19.2)	12,871	10,633
Other receivables	135,863	439,489
Refundable VAT	386	12,920
	<u>921,386</u>	<u>2,208,494</u>

15. Cash at bank and in hand

For the purposes of the cash flow statement, the cash and cash equivalents include the following:

	2011	2010
	€	€
Cash at bank and in hand	<u>23,407,884</u>	<u>382,206</u>
	<u>23,407,884</u>	<u>382,206</u>

Cash at bank represents current and fixed deposit accounts denominated in Euro, British Pounds and USD and carry annual interest in the range 3%-4% per annum.

16. Share capital

	2011	2011	2010	2010
	Number of	€	Number of	€
	shares		shares	
Authorised				
Ordinary shares of €1,71 each	<u>222,000</u>	<u>379,620</u>	<u>222,000</u>	<u>379,620</u>
Issued and fully paid				
On 1 January	<u>221,808</u>	<u>379,292</u>	<u>221,808</u>	<u>379,292</u>
Balance at 31 December	<u>221,808</u>	<u>379,292</u>	<u>221,808</u>	<u>379,292</u>

IAPETOS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

16. Share capital (continued)

During the year 2010 the Board of Directors of the Company decided to reduce the share premium by €81,000,000 by submitting a court order.

17. Trade and other payables

	2011	2010
	€	€
Defence tax payable	1,100	-
Accruals	5,202	5,634
Other creditors	26,235	18,190
	<u>32,537</u>	<u>23,824</u>

18. Deferred revenue

	2011	2010
	€	€
Current	30,680	126,749
Non-current	47,021	319,111
	<u>77,701</u>	<u>445,860</u>

License A

The Company licensed to a third party the use of the fly ash beneficiation technology (Note 12). 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 (€1.161.710) when certain conditions are met. 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 €1.161.710 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 were provided by 31 March 2010 and the income was recognised on a basis dependent on the stage of completion of the services as the costs are incurred.

During 2010, income of GBP1.000.000 (plus interest of one year Libor plus 2% for the period from 31 March 2010 to 31 December 2010) was recognised in the statement of comprehensive income.

License B

On 28 February 2007, the Company licensed to a third party the use of fly ash beneficiation technology (Note 12). 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 were received in 2008. 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 €800.000 is amortised, starting from January 2008, 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.

IAPETOS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

19. Related party transactions

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

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

The following transactions were carried out with related parties:

19.1 Franchise income

	2011	2010
	€	€
Fellow group company	<u>513,770</u>	<u>2,192,140</u>
	<u>513,770</u>	<u>2,192,140</u>

19.2 Receivables from related parties (Note 14)

<u>Name</u>	<u>Nature of transactions</u>	2011	2010
		€	€
Fellow group company	Finance	<u>12,871</u>	<u>10,633</u>
		<u>12,871</u>	<u>10,633</u>

IAPETOS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

19. Related party transactions (continued)

19.3 Loans to related undertakings (Note 13)

	2011	2010
	€	€
Fellow group companies -current	14,965,000	17,150,000
Fellow group companies -non current	138,960,287	108,576,860
Fellow group companies -interest	1,150,596	444,228
	<u>155,075,883</u>	<u>126,171,088</u>

(1) On 1 December 2010, the Board of directors of the Company decided to merge all loans with Euro currency into one unique loan with Titan Global Finance Plc. The amounts drawn were €103.600.000 . The loan is unsecured and bears an interest rate of Euribor 1 month plus 1,3 % per annum. The total interest up to 31 December 2011 is €4.592.824 (2010: €190.378) out of which €3.842.397 has been repaid in 2011. On 30 March 2011 €950.000 were drawn and on 29 June 2011 further €29.000.000 were drawn. On 27 December 2011, €21.000.000 of the total principal amount was repaid. The principal is repayable by November 2013 and interest within a year.

(2) On 1 December 2010, the Board of directors of the Company decided to merge the two loans with USD currency into one unique loan with Titan Global Finance Plc. The amounts drawn were €5.070.625 out of which nothing was repaid. The loan is unsecured and bears an interest rate of Euribor 1 month plus 1,3 % per annum. The total interest up to 31 December 2011 is €177.902 (2010: €6.543) out of which €143.640 has been repaid in 2011. On 28 January 2011 €1.677.220 and on 29 September 2011 a further €183.161 were drawn. The principal is repayable by November 2013 and interest within a year.

(3) On 14 April 2010, the Board of directors of the Company resolved to grant a loan facility up to €25.000.000 to Kocem Limited. The amounts drawn were €25.000.000, out of which €10.035.000 has been repaid. As no repayment date was set, the loan is shown as current. The loan is unsecured and bears an interest rate of Euribor 1 month plus 1,3 % per annum. The total interest up to 31 December 2011 is €650.925 (2010: €247.308) out of which €415.032 has been repaid in 2011.

(4) On 29 June 2011 the Company granted a loan facility up to €18.300.000 to Titan Global Finance Plc. The amounts drawn were €18.300.000 out of which nothing has been repaid. The loan is unsecured and bears an interest rate of one month Euribor plus 1,3 % per annum. The total interest up to 31 December 2011 is €394.356 (2010:€NIL) out of which €265.673 has been repaid. On 29 September 2011 a further €1.000.000 were drawn out of which nothing was repaid.

19.4 Dividend income (Note 6)

	2011	2010
	€	€
Dividend income	43,767,150	142,126,745
	<u>43,767,150</u>	<u>142,126,745</u>

20. Contingent liabilities

The Company had no contingent liabilities as at 31 December 2011/2010.

21. Commitments

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 2011 the amount of €2.649.284 (31 December 2010: €2.606.284) has been paid.

IAPETOS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2011

22. Events after the reporting period

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

Independent Auditor's report on pages 3 and 4