Grant Thornton

Financial statements and independent auditors' report

Mermeren Kombinat AD, Prilep

31 December 2009

Contents

Independent auditors' report

Grant Thornton DOO
M.H.Jasmn 52 v - 1/7
1000 Skopje
Macedonia

T +389 (2) 3214 700
F +389 (2) 3214 710
www.grant-thornton.com.mk

To the Management and Shareholders of

Mermeren Kombinat AD, Prilep

We have audited the accompanying financial statements of Mermeren Kombinat AD, Prilep ("the Company") which comprise of the Statement of financial position as at 31 December 2009, 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 notes, included on pages 3 to 30.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 management, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2009, and its financial performance, changes in equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards

Report on other legal subjects

We verified the agreement and the corresponding of content of Report of Board of Directors with the attached economic situations.

Grant Thornton

Skopje,
February 19 2010

Statement of financial position

	Note	2009	(Amounts in EUR) At 31 December 2008
Assets			
Non-current assets			
Property, plant and equipment	5	13,992,617	14,487,358
Intangible assets	6	16,838	22,276
Available – for – sale financial assets	8	-	1,663,543
Non-current trade receivables	9	7,115,288	-
		21,124,743	**16,173,177**
Current assets			
Trade and other receivables	9	5,601,122	14,809,004
Inventories	10	5,752,675	6,332,315
Cash and cash equivalents	11	545,319	3,094
		11,899,116	**21,144,413**
Total assets		**33,023,859**	**37,317,590**
Shareholders' equity	12		
Share capital		8,845,171	8,845,171
Reserves		7,528,471	7,528,471
Revaluation surplus		1,810,771	1,927,347
Retained earnings		5,614,821	3,192,410
Total shareholders' equity		**23,799,234**	**21,493,399**
Liabilities			
Non – current liabilities			
Interest – bearing borrowings	13	6,487,310	5,503,901
		6,487,310	**5,503,901**
Current Liabilities			
Interest – bearing borrowings	13	1,908,512	4,432,740
Trade and other payables	14	686,808	4,861,469
Liabilities for taxes	15	141,995	1,026,081
		2,737,315	**10,320,290**
Total liabilities		**9,224,625**	**15,824,191**
Total liabilities and shareholders' equity		**33,023,859**	**37,317,590**

These financial statements have been approved by the Board of Directors on February 15 2010 and signed on its behalf by,

Mr. Mark Richard Jacobson — Chairman

Mr. Goran Poposki — General Executive Director

Statement of comprehensive income

	Note	2009	2008
		(Amounts in EUR) Year ended 31 December	
Sales	16	15,752,139	10,266,748
Cost of sales	17	(7,081,687)	(6,933,667)
Gross profit		**8,670,452**	**3,333,081**
Administrative and selling expenses	18	(5,726,154)	(1,392,760)
Other operating income	20	824,846	179,497
Other gains / (losses)	5	2,503	(222,317)
Operating profit		**3,771,647**	**1,897,501**
Finance income	21	146,465	117,067
Finance costs	21	(961,992)	(1,080,859)
Finance (costs), net		(815,527)	(963,792)
Profit before income tax		**2,956,120**	**933,709**
Income tax (expense)	22	(181,602)	(230,610)
Profit for the year		**2,774,518**	**703,099**
Other comprehensive income for the year		**-**	**-**
Total comprehensive income for the year		**2,774,518**	**703,099**
Profit attributable to the holders of ordinary shares		2,774,518	703,099
Total comprehensive income attributable to the holders of ordinary shares		**2,774,518**	**703,099**
Earnings per share (expressed in Euros per share)	24	0.59	0.15

Statement of changes in equity

(Amounts in Eur)

	Share Capital	Reserves	Revaluat. Surplus	Retained earnings	Total
At 01 January 2009	**8,845,171**	**7,528,471**	**1,927,347**	**3,192,410**	**21,493,399**
Dividends declared	-	-	-	(468,683)	(468,683)
Transactions with owners				**(468,683)**	**(468,683)**
Profit for the year	-	-	-	2,774,518	2,774,518
Other comprehensive income:					
Transfer of surplus on tangible assets sold	-	-	(116,576)	116,576	-
Total comprehensive income	**-**	**-**	**(116,576)**	**2,891,094**	**2,774,518**
At 31 December 2009	**8,845,171**	**7,528,471**	**1,810,771**	**5,614,821**	**23,799,234**
At 01 January 2008	**8,845,171**	**7,514,753**	**2,113,574**	**3,954,185**	**22,427,683**
Dividends declared	-	-	-	(1,637,383)	(1,637,383)
Transactions with owners				**(1,637,383)**	**(1,637,383)**
Profit for the year	-	-	-	703,099	703,099
Other comprehensive income:					
Allocation of retained earnings	-	13,718	-	(13,718)	-
Transfer of surplus on tangible assets sold	-	-	(186,227)	186,227	-
Total comprehensive income	-	**13,718**	**(186,227)**	**875,608**	**703,099**
At 31 December 2008	**8,845,171**	**7,528,471**	**1,927,347**	**3,192,410**	**21,493,399**

Statement of cash flows

(Amounts in EUR)

	Note	Year ended 31 December 2009	2008
Operating			
Net profit before tax		2,956,120	933,709
Adjusted for:			
Depreciation and amortization	5,6	1,093,482	1,069,640
Write offs and allowances on trade receivables	18	1,083,937	385,552
Impairment loss on investments	18	668,803	-
Net carrying amount of equipment written off		4,381	
(Gain)/Loss on tangible assets sold	5	(2,503)	222,317
Payables written off		(159,061)	-
Finance result, net	21	815,527	963,792
Operating profit before working capital changes		6,460,686	3,575,010
Changes in working capital:			
Inventories		579,640	248,216
Trade and other receivables		1,008,657	(1,025,157)
Trade and other payables		(1,244,817)	(771,719)
Cash from operations		6,804,166	2,026,350
Interest paid		(931,344)	(909,884)
Income tax paid		(140,465)	(152,195)
		5,732,357	**964,271**
Investing			
Purchase of equipment, net of proceeds from sales		(539,560)	(2,123,130)
Proceeds from sold financial assets available – for - sale		1,000,000	-
Interest received		2,552	1,468
		462,992	**(2,121,662)**
Financing			
Proceeds from / (Repayment of) borrowings, net		(1,540,819)	1,383,889
Dividends paid		(4,129,495)	(225,423)
		(5,670,314)	**1,158,466**
Translation differences		17,190	(1,004)
Net change in cash and cash equivalents		**542,225**	**71**
Cash and cash equivalents at beginning	11	3,094	3,023
Cash and cash equivalents at end	11	**545,319**	**3,094**

Notes to the financial statements

1 General

Mermeren Kombinat AD, Prilep (the "Company") is a Shareholders' Company incorporated and domiciled in the Republic of Macedonia. The address of its registered head office is as follows: Krushevski Pat str. bb, Prilep, Republic of Macedonia.

As at 31 December 2008 the majority of total issued shares - 88.4% was owned by FHL Manufacturing & Trading Co, I.Kyriakidis Granites & Marbles S.A., Greece, which was the Company's ultimate parent.

On 10 April 2009 FHL Manufacturing & Trading Co, I. Kyriakidis Granites & Marbles SA owning then 88.4% of the Company's shares, sold its shares to the Stone Works Holding Cooperatief U.A Netherlands.

The Company's main business activities include mining, processing and distribution of marble and decorative stones. The Company operates on local and foreign markets and at 31 December 2009 employs 392 persons (2008: 381 persons).

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 the years presented, unless otherwise stated.

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

The preparation of these financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4: Critical accounting estimates and judgements.

The financial statements have been prepared as of and for the years ended 31 December 2009 and 2008. Current and comparative data stated in these financial statements are expressed in Euros.

2.2 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Company

The Company has adopted the following new interpretations, revisions and amendments to IFRS issued by the International Accounting Standards Board, as of 1 January 2009:

- **IFRS 7 'Financial instruments – Disclosures' (amendment) – effective 1 January 2009**. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.
- **IFRS 8 'Operating segments' – effective 1 January 2009.** The standard replaces IAS 14, 'Segment reporting', with its requirement to determine primary and secondary reporting segments. Under the requirements of the revised standard, the Company's external segment reporting will be based on the internal reporting to the Company's executive body, which makes decisions on the allocation of resources and assess the performance of the reportable segments. The application of IFRS 8 does not have any material effect for the Company but has an impact on segment disclosure (if required) and on the measurement bases within segments.
- **IAS 1 (revised) 'Presentation of financial statements' – effective 1 January 2009.** The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Company presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.
- **IFRS 2 (amendment), 'Share-based payment' (effective 1 January 2009)** deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. The amendment is not relevant to the Company's operations because the Company does not enter into any share – based payments.
- **IAS 23 'Borrowing Costs' (Revised 2007) - effective 1 January 2009.** The principal change to the standard was to eliminate the option to expense all borrowing costs when incurred. This change has had no impact on the Company's financial statements because the Company's accounting policy has always been to capitalize borrowing costs incurred on qualifying assets.
- **IFRIC 13, 'Customer loyalty programs'.** IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive, the arrangement is a multiple element arrangement. The consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to the Company's operations because the Company does not operate any loyalty programs.

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

- **IFRS 3 'Business Combinations' (Revised 2008) (effective from 1 July 2009).** The standard is applicable for business combinations occurring in reporting periods beginning on or after 1 July 2009 and will be applied prospectively. The new standard introduces changes to the accounting requirements for business combinations, but still requires use of the purchase method, and will effect business combinations, if any, occurring in future reporting periods.

Changes in accounting policies and disclosures (continued)
Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company (continued)

- **IAS 27 'Consolidated and Separate Financial Statements' (Revised 2008) (effective from 1 July 2009).** The revised standard introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the Company's interest in subsidiaries. These changes will be applied prospectively in accordance with the transitional provisions and so do not have an immediate effect on the Company's financial statements.
- **Annual Improvements 2009 (effective from 1 July 2009 and later).** The IASB has issued Improvements for International Financial Reporting Standards 2009. Most of these amendments become effective in annual periods beginning on or after 1 July 2009 or 1 January 2010. Preliminary assessments indicate that the effect on the Company's financial statements will not be significant.
- **IFRS 9 'Financial Instruments' (effective from 1 January 2013).** The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety by the end of 2010, with the replacement standard to be effective for annual periods beginning 1 January 2013. IFRS 9 is the first part of Phase 1 of this project. Management has yet to assess the impact that this amendment is likely to have on the financial statements of the Company. However, they do not expect to implement the amendments until all chapters of the IAS 39 replacement have been published and they can comprehensively assess the impact of all changes.

2.3 Foreign currency translation

Functional and presentation currency

The Company maintains its accounting records and prepares its statutory accounts in local currency, i.e. in Macedonian Denars (MKD), which is the Company's "functional currency". These financial statements are presented in Euros, which is "presentation currency" of the Company's ultimate Parent.

The results and financial position of the Company are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates; and
- Resulting exchange differences are recognised as financial income or expense, respectively, in each statement of comprehensive income for the period they relate to.

Transactions and balances

Transactions denominated in foreign currencies have been translated into Macedonian Denars at the middle exchange rate at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into Macedonian Denars ("Denars") at the National Bank of the Republic of Macedonia middle exchange rate on the last day of the reporting period. All gains and losses resulting from foreign currency translation or exchange are included in the statement of comprehensive income as financial income or expense in the period in which they arose. The middle exchange rates used for conversion of the statement of financial position items denominated in foreign currencies are as follows:

	31 December 2009	31 December 2008
1 USD	42.6651 Denars	43.5610 Denars
1 EUR	61.1732 Denars	61.4123 Denars

2.4 Property, plant and equipment

Items of property, plant and equipment are recorded at their revalued cost, based on the valuation performed by independent authorized valuers, less subsequent accumulated depreciation and impairment losses. The increase in the carrying amount of property, plant and equipment due to their revaluation is taken to an asset revaluation reserve, which forms part of the total reserves included within the Company's equity. When revalued assets are disposed of or sold, the amounts included in the revaluation reserves are transferred to the retained earnings for the period.

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of items of property, plant and equipment. Constructed assets are depreciated from the time they are put into use. Land and construction in progress are not depreciated.

The estimated useful lives are as follows:

Buildings	40 years
Machinery	20 years
Equipment and motor vehicles	8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.6).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within other expenses or other income in the statement of comprehensive income.

Interest costs on borrowings used to finance the construction of property, plant and equipment are capitalized, during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

The costs of regular maintenance and repairs are charged to operating expenses as incurred. Improvements to the existing assets are capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment.

2.5 Intangible assets

Research and development costs

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in the statement of comprehensive income as an expense as incurred. Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalized if the product or process is technically or commercially feasible and the Company has sufficient resources to complete development. The expenditure capitalized includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognized in the statement of comprehensive income as an expense as incurred. Capitalized development expenditure is stated at cost less accumulated amortization and impairment losses. Amortization is charged to the statement of comprehensive income on a straight-line basis over the period of its expected benefit, which is estimated at five years.

Other intangible assets

Expenditure to acquire rights and licenses is capitalized and amortized using the straight-line method over a period of five years.

2.6 Impairment of non - financial assets

Assets that are subject to 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). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets.

The Company has no assets classified in this category at the statement of financial position date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date. These are classified as non-current assets.

The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents as of the statement of financial position date.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the statement of financial position date.

Recognition and measurement of financial assets

Purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase or sell the asset.

All financial assets that are not carried at fair value through profit or loss are initially recognized at fair value plus transaction costs. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognized 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.

Financial assets (continued)

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

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within 'other (losses)/gains – net' in the period in which they arise. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the statement of comprehensive income as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of comprehensive income as part of other income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income as part of other income when the group's right to receive payments is established.

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.

The Company assesses at each statement of financial position 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 – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the statement of comprehensive income. Impairment losses recognized in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income. Impairment testing of trade receivables is described further within Note 2.9.

2.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.9 Trade and other receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Trade and other receivables (continued)

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Assets with a short maturity are not discounted. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of comprehensive income within 'selling and marketing costs'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'selling and marketing costs' in the statement of comprehensive income.

2.10 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2.11 Share capital

Ordinary shares are classified as equity.
Incremental external costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.
Where the Company purchases its equity share capital, the consideration paid, including any directly attributable external costs is deducted from the total shareholders' equity as treasury shares. Where such shares are subsequently sold, any consideration received is included in shareholders' equity.

2.12 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.13 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference 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.

2.14 Current and deferred income tax

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

At 31 December 2008, the tax payable was calculated and paid in accordance with the Macedonian Tax Law, where final taxes on profit of 10 % were payable based on the annual profit shown in the statutory statement of income as adjusted for items, which are non-deductible or disallowed.

According to the new Income Tax Law valid as of 01 January 2009, income tax, at rate of 10%, is payable on the non-deductible expenses recognized during the year less tax credits, as well as the profit distributed in a form of dividends to Shareholders. Retained profit is not taxable.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used in determination of deferred income tax. Deferred tax is charged or credited in the income statement except when it relates to items charged or credited directly to statement of comprehensive income, in which case the deferred tax is also dealt with in statement of comprehensive income.

Current and deferred income tax (continued)
Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

The Company has not recognized any deferred tax liability or asset at 31 December 2009 and 2008, as there are no temporary differences existing at that date.

2.15 Employee benefits
Pension obligations
The Company has pension scheme as prescribed by the local social security legislation under which it contributes to its employees' post retirement plans. Contributions, based on salaries, are made to the national Pension Fund responsible for the payment of pensions. There is no additional liability regarding these plans.

Post – retirement obligations
The Company provides its retirees an amount equal to two months average salary according to the related local provisions. No provision has been made at the statement of financial position date in respect of this post – retirement obligations, since that amount would not have a material effect on the financial statements.

2.16 Provisions
A provision is recognized when the Company has a present obligation as a result of a past event and 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. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of provision is the present value of the expenditures expected to be required to settle the obligation. Provisions are not recognised for future operating losses.

2.17 Revenue recognition
Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Company:

Sales of goods – wholesale
Sales of goods are recognised when the products are delivered to the customer, when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

Sales of services
Sales of services are recognised in the period in which services are rendered, by reference to the stage of completion when can be measured reliably. The stage of completion is determined based on surveys of work performed.

Interest income
Interest income is recognized on a time proportion basis that reflects the effective yield on the assets.

Revenue recognition (continued)

Royalty income
Royalty income is recognized on an accrual basis in accordance with the substance of the relevant agreement.

Dividend income
Dividend income is recognized when the right to receive payments is established.

2.18 Dividend distribution

Distribution of dividends to the Company's shareholders is recognised as a liability in the financial statements in the period when they are approved by the Company's shareholders.

2.19 Commitments and contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

The amount of a contingent loss is recognized as a provision if it is probable that future events will confirm that, a liability incurred as at the statement of financial position date and a reasonable estimate of the amount of the resulting loss can be made.

2.20 Events after the reporting date

Post-year-end events that provide additional information about a Company's position at the statement of financial position date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

3 Financial risk management

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks, including credit risk and risks associated with the effects of changes in foreign currency exchange rates and interest rates. The Company's risk management focuses on unpredictability of markets and seeks to minimize potential adverse effects over the Company's business performance.

Risk management is carried out by the Board of Directors based on certain pre – approved written policies and procedures that cover overall risk management, as well as specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of appropriate securities and investing excess liquidity.

3.2 Market risk

Foreign exchange risk

The Company is not significantly exposed to foreign exchange risk as almost all sales and trade receivables are nominated in Euro and at the same time the borrowing is also in Euro.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligation with a floating interest rate. The Company's management is primarily responsible for daily monitoring of the net interest rate risk position and it sets limits to reduce the potential of interest rate mismatch. The table below summarizes the Company's exposure to interest rate risk.

At 31 December 2009	Interest bearing 1 to 12 months (In EUR)	1 to 5 years (In EUR)	Later than 5 years (In EUR)	Non - interest bearing (In EUR)
Assets				
Property, plant and equipment	-	-	-	13,992,617
Intangibles	-	-	-	16,838
Non-current trade receivables	-	-	-	7,115,288
Trade and other receivables	-	-	-	5,601,122
Inventories	-	-	-	5,752,675
Cash and cash equivalents	-	-	-	545,319
	-	**-**	**-**	**33,023,859**
Liabilities				
Borrowings				
With variable interest rate				
Interest - bearing borrowings	1,908,512	6,487,310	-	-
Payables				
Trade and other payables	-	-	-	686,808
Liabilities for taxes	-	-	-	141,995
	1,908,512	**6,487,310**	**-**	**828,803**
Interest sensitivity gap	**(1,908,512)**	**(6,487,310)**	**-**	**32,195,056**

Nominal interest rates for interest - bearing borrowings are in range from 6 - month Euribor + 5% up to 11% p.a.

Market risk (continued)

Interest rate risk (continued)

At 31 December 2008	1 to 12 months (In EUR)	Interest bearing 1 to 5 years (In EUR)	Later than 5 years (In EUR)	Non - interest bearing (In EUR)
Assets				
Property, plant and equipment	-	-	-	14,487,358
Intangibles	-	-	-	22,276
Available – for – sale financial assets	-	-	-	1,663,543
Trade and other receivables	-	-	-	14,809,004
Inventories	-	-	-	6,332,315
Cash and cash equivalents	-	-	-	3,094
	-	**-**	**-**	**37,317,590**
Liabilities				
Borrowings				
With variable interest rate				
Interest - bearing borrowings	4,432,740	5,503,901	-	-
Payables				
Trade and other payables	-	-	-	4,861,469
Liabilities for taxes	-	-	-	1,026,081
	4,432,740	**5,503,901**	**-**	**5,887,550**
Interest sensitivity gap	**(4,432,740)**	**(5,503,901)**	**-**	**31,430,040**

Nominal interest rates for interest - bearing borrowings are in range from 6- month Euribor + 2. 5% - 3.5% up to 10% p.a.

Interest rate sensitivity analysis

			2009
	Net amount in Eur	2%	-2%
Borrowings with variable interest rate	(8,395,822)	(167,916)	167,916

			2008
	Net amount in Eur	2%	-2%
Borrowings with variable interest rate	(9,936,641)	(198,733)	198,733

3.3 Credit risk

Credit risk is the risk of financial loss to the Company if the customer or counterparty to a financial instrument fails to meet its contractual obligations and arises mainly from the Company's trade receivables. The Company's exposure to credit risk is principally influenced by the individual characteristics of each customer.

As of the statement of financial position date and as it is disclosed in Note 9 there is significant concentration of credit risk toward one of the Company's customers, the balance of which debts represents 96% of the total net receivables.

The Company has policies in place to ensure that sales of goods and services are made to customers with an appropriate credit history. The Company has policies that limit the amount of credit exposure to any counter party. The Company does not require collateral in respect of its trade receivables.

Credit risk (continued)

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade receivables based entirely on specific losses related to individually significant exposures. The Company's maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position as summarised below:

	2009 (In EUR)	2008 (In EUR)
Classes of financial assets - carrying amounts:		
Available – for – sale financial assets	-	1,663,543
Non-current trade receivables	7,115,288	-
Cash and cash equivalents	545,319	3,094
Trade and other receivables	5,601,122	14,809,004
	13,261,729	**16,475,641**

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

As of the statement of financial position date the credit quality of Company's trade receivables and advances to suppliers is disclosed Note 9.

3.4 Liquidity risk

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. Liquidity needs are monitored in various time bands. Net cash requirement are compared to available borrowing facilities in order to determine any shortfalls. This analysis shows if available borrowing facilities are expected to be sufficient over the lookout period. The Company maintains cash to meet its liquidity requirements for 30-day periods at a minimum. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities. As at 31 December 2009 and 2008, the Company's liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Current	Non – current	
	1 to 12 months	1 to 5 years	Later than 5 years
At 31 December 2009	(In EUR)	(In EUR)	(In EUR)
Interest - bearing borrowings	1,908,512	6,487,310	-
Trade and other payables	686,808	-	-
Liabilities for taxes	141,995	-	-
	2,737,315	**6,487,310**	**-**

	Current	Non – current	
	1 to 12 months	1 to 5 years	Later than 5 years
At 31 December 2008	(In EUR)	(In EUR)	(In EUR)
Interest - bearing borrowings	4,432,740	5,503,901	-
Trade and other payables	4,861,469	-	-
Liabilities for taxes	1,026,081	-	-
	10,320,290	**5,503,901**	**-**

The above amounts reflect the contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at the reporting date.

3.5 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Debt indication

The structure of the Company's equity comprises of liabilities, cash and cash equivalents and equity, which comprises of share capital, reserves, revaluation surplus and retained earnings. The Management reviews the capital structure on annual basis as a relation between the net loan liabilities and the total capital. The net loan liabilities are calculated as total liabilities for borrowings less the amount for cash and cash equivalents. The total capital is calculated as equity plus net liabilities for borrowings.

The debt indicator at year end is as follows:

	2009 (In EUR)	2008 (In EUR)
Interest-bearing borrowings	8,395,822	9,936,641
Cash and cash equivalents	(545,319)	(3,094)
Net liabilities	7,850,503	9,933,547
Shareholders' equity	23,799,234	21,493,399
	0.33	0.46

3.6 Fair value estimation

The fair value of financial assets, such as available – for – sale securities that are traded in active markets is based on quoted market prices, which are current bid prices. The fair value of financial assets that are not traded in an active market is determined using assumptions based on market conditions existing at each statement of financial position date. The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

4 Critical accounting estimates and judgements

In the application of the Company's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

Impairment losses on trade receivables

The Company reviews its trade debtors' balances to assess impairment at least on a annual basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. This evidence principally include observable data indicating that there has been an adverse change in the payment status of the customers, or national or local economic conditions that correlate with defaults. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Key sources of estimation uncertainty

Under the Company's management opinion, there are no key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(All amounts expressed in Euros, unless otherwise stated)

5 Property, plant and equipment

	Land & Buildings	Machinery & equipment	Construction in progress	Total
At 01 January 2008				
Cost or Valuation	5,996,689	16,065,838	182,904	22,245,431
Accumulated Depreciation	(1,595,954)	(6,946,550)	-	(8,542,504)
Net Carrying Amount	**4,400,735**	**9,119,288**	**182,904**	**13,702,927**
Year ended 31 December 2008				
Opening Net Carrying Amount	4,400,735	9,119,288	182,904	13,702,927
Translation differences	(15,099)	(31,287)	(628)	(47,014)
Additions, net of transfers from C.I.P.	25,402	2,724,226	(67,495)	2,682,133
Disposals-net	-	(786,520)	-	(786,520)
Depreciation charge for the year	(311,045)	(753,123)	-	(1,064,168)
Closing Carrying Amount	**4,099,993**	**10,272,584**	**114,781**	**14,487,358**
At 31 December 2008				
Cost or Valuation	6,001,518	16,567,153	114,781	22,683,452
Accumulated Depreciation	(1,901,525)	(6,294,569)	-	(8,196,094)
Net Carrying Amount	**4,099,993**	**10,272,584**	**114,781**	**14,487,358**
Year ended 31 December 2009				
Opening Net Carrying Amount	4,099,993	10,272,584	114,781	14,487,358
Translation differences	15,496	39,601	447	55,544
Additions, net of transfers from C.I.P.	44,959	545,399	-	590,358
Disposals-net	-	(52,978)	-	(52,978)
Depreciation charge for the year	(314,074)	(773,591)	-	(1,087,665)
Closing Carrying Amount	**3,846,374**	**10,031,015**	**115,228**	**13,992,617**
At 31 December 2009				
Cost or Valuation	6,061,973	17,099,175	115,228	23,276,376
Accumulated Depreciation	(2,215,599)	(7,068,160)	-	(9,283,759)
Net Carrying Amount	**3,846,374**	**10,031,015**	**115,228**	**13,992,617**

Construction in progress

At 31 December 2009 construction in progress amounting in total Eur. 115,228 consists entirely the cost of building part of filtering station.

Additions during 2009

Total additions during 2009 in the amount of Eur. 590,358 consist of purchased mine processing and transport equipment.

Sale and disposal of machinery and equipment

During 2009 the Company disposed off and sold machinery and equipment with the net carrying value in amount of total Eur.52,978 (cost or valuation: Eur. 452,762 and accumulated depreciation: Eur. 399,784). The sales value of those which were sold amounts Eur. 51,100 and their net carrying value – Eur. 48,597. Related gain amounting Eur. 2,503 is recognized as "other income" into current statement of comprehensive income (2008: related loss amounting Eur. 222,317). Revaluation surplus transferred into retained earnings, related to the assets carried at valuation and were sold and/or disposed off amounts to Eur. 116,576.

Property, plant and equipment pledged

As of 31 December 2009, the Company has pledged part of its property, plant and equipment (business premises and machinery & equipment) to secure loans (see Note 13). As of the statement of financial position date, their appraised value is in the amount of Eur 1,299,323 (see Note 25).

(All amounts expressed in Euros, unless otherwise stated)

6 Intangible assets

At 31 December 2009 intangible assets, the net carrying value of which amount to Eur. 16,838 (cost: Eur. 29,042 and accumulated depreciation: Eur. 12,204) entirely consist of costs related to acquisition of software and trade marks. Total acquisitions occurred during 2009 amount Eur. 302. Amortization charged in the profit and loss for the year ended December 31 2009 amounts to Eur. 5,817.

Out of the total depreciation and amortization for the year ended 31 December 2009 amounting Eur. 1,093,482, Eur. 937,338 has been charged in "cost of sales" and the remaining, in the amount of Eur. 156,144 - into administrative and selling expenses.

7 Financial instruments by categories

The carrying amounts of the Company's financial assets and liabilities as recognised at the statement of financial position date of the reporting periods under review may also be categorised as follows.

	2009	2008
Assets		
Non – current		
AFS financial assets	-	1,663,543
Non-current trade receivables	7,115,288	-
	7,115,288	**1,663,543**
Current		
Trade and other receivables		
- Loans and receivables	5,601,122	14,809,004
Cash and cash equivalents	545,319	3,094
	6,146,441	**14,812,098**
Liabilities		
Non – current		
Borrowings		
- Financial liabilities measured at amortized costs	**6,487,310**	**5,503,901**
Current		
Borrowings		
- Financial liabilities measured at amortized costs	1,908,512	4,432,740
Trade and other payables		
- Financial liabilities measured at amortized costs	686,808	4,861,469
	2,595,320	**9,294,209**

8 Available – for – sale financial assets

	2009	2008
Balance, 01 January	**1,663,543**	**1,669,270**
Disposals	(1,000,000)	-
Impairment loss	(668,803)	-
Translation differences	5,260	(5,727)
Balance, 31 December	**-**	**1,663,543**

At 31 December 2008, total available – for – sale securities entirely consist of the Company's equity interest into Kosmos Building Materials Shanghai Co, China - a foreign non - listed legal entity. The original value of this investment was US Dollars 1,970,000 (equivalent to Eur 1,663,543 at 31 December 2008), and represented 51% interest in the equity of the investee.

During 2009 impairment loss amounts of Eur. 668,803 was recognized in the current statement of comprehensive income (see note 18). As at 28 December 2009 the Company sold its available for sale securities to FHL Manufacturing & Trading Co, I.Kyriakidis Granites & Marbles S.A., Greece for amount equal to their net carrying value and did not realize any capital gains or loses.

(All amounts expressed in Euros, unless otherwise stated)

9 Trade and other receivables

	2009	2008
Non-current trade receivables		
Foreign debtors	7,115,288	-
Total non-current trade receivables	**7,115,288**	**-**
Current trade receivables		
Local debtors	356,432	422,896
Foreign debtors	96,810	8,418,297
Related party's receivables	5,052,461	5,791,657
	5,505,703	**14,632,850**
Prepayments		
Prepaid VAT	159,515	47,124
Deferred expenses	16,577	13,076
Advances to suppliers	13,860	8,858
Overpaid income tax	-	10,226
	189,952	**79,284**
Other current receivables		
Other current receivables	2,794	194,310
	2,794	**194,310**
Total current trade and other receivables, gross	**5,698,449**	**14,906,444**
Less: provision for impairment	(97,327)	(97,440)
Current receivables and prepayments, net	**5,601,122**	**14,809,004**

On March 24 2009, the Company entered into settlement agreement with Phalerco LTD Cyprus for determining the payment schedule of the outstanding receivables. According to the agreement, the receivables of Phalerco LTD Cyprus in the amount of Eur 7,115,288 will become due for payment on 31 December 2011.

Following table discloses the concentration of debt by major customers as of 31 December 2009 and 2008:

	2009	2008
Foreign debtors		
Phalerco LTD Cyprus	7,115,288	7,415,192
Casteblock Limited, Cyprus	5,052,461	-
FHL Manufacturing & Trading Co, I.Kyriakidis Granites & Marbles SA.	-	5,791,657
Other customers	96,810	1,003,105
Total	**12,264,559**	**14,209,954**

At 31 December 2009 the age structure of trade receivables and advances to suppliers is as follows:

	Domestic trade receivables	Foreign trade receivables	Advances	Total
Amount not due	-	4,638,651	-	4,638,651
Overdue up to 1 year	33,816	442,588	9,726	486,130
Overdue more than 1 year	322,616	68,032	4,134	394,782
	356,432	5,149,271	13,860	5,519,563
Less: provision for impairment	(97,327)	-	-	(97,327)
	259,105	**5,149,271**	**13,860**	**5,422,236**

At 31 December 2008 the age structure of trade receivables and advances to suppliers is as follows:

	Domestic trade receivables	Foreign trade receivables	Advances	Total
Overdue up to 1 year	126,327	5,898,623	3,305	6,028,255
Overdue more than 1 year	296,569	8,311,331	5,553	8,613,453
	422,896	14,209,954	8,858	14,641,708
Less: provision for impairment	(97,440)	-	-	(97,440)
	325,456	**14,209,954**	**8,858**	**14,544,268**

(All amounts expressed in Euros, unless otherwise stated)

Trade and other receivables (continued)

At 31 December 2009 the credit quality of Company's trade receivables and advances to suppliers can be analysed as follows:

	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Cost	5,124,781	297,455	97,327	5,519,563
Less: Impairment provision	-	-	(97,327)	(97,327)
	5,124,781	**297,455**	**-**	**5,422,236**

At 31 December 2008 the credit quality of Company's trade receivables and advances to suppliers can be analysed as follows:

	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Cost	6,028,255	8,516,013	97,440	14,641,708
Less: Impairment provision	-	-	(97,440)	(97,440)
	6,028,255	**8,516,013**	**-**	**14,544,268**

Following table provides for the movement of impairment provision account for the years ended 31 December 2009 and 2008:

	2009	2008
At 01 January	**97,440**	**97,775**
Collected fully provided bad debts	(489)	-
Translation differences	376	(335)
At 31 December	**97,327**	**97,440**

During 2009 due to their non – recoverability, total of Eur. 1,083,937 (2008: Eur. 385,552) has been written off against current profit and loss (see also Note 18).

10 Inventories

	2009	2008
Work in progress	5,114,799	5,688,926
Spare parts	425,523	428,058
Raw materials	170,542	168,712
Finished products	14,890	14,769
Trade goods	12,013	16,723
Other	14,908	15,127
	5,752,675	**6,332,315**

11 Cash and cash equivalents

	2009	2008
Bank accounts	544,144	472
Cash on hand	1,175	2,622
	545,319	**3,094**

12 Shareholders' equity

12.1 Shares issued

	Number of shares	Amount (in Euros)		
Authorized, issued and fully paid ordinary shares Eur.1 at par		Ordinary shares (Euros)	Share premium (Euros)	Total (Euros)
At 01 January 2008 / 01 January 2009	4,686,858	4,686,858	4,158,313	8,845,171
Translation differences	-	-	-	-
At 31 December 2008 / 31 December 2009	**4,686,858**	**4,686,858**	**4,158,313**	**8,845,171**

The structure of share capital at 31 December 2008 is as follows (amounts in Eur.):

	Number of shares	Amount	%
FHL Manufacturing & Trading Co, I.Kyriakidis Granites & Marbles SA.	4,143,357	4,143,357	88.40
Piraeus Bank SA.	468,700	468,700	10.00
Other – minority	74,801	74,801	1.60
	4,686,858	**4,686,858**	**100.00**

At 30 December 2008 the Company's major shareholder - FHL Manufacturing & Trading Co, I.Kyriakidis Granites & Marbles SA entered in to an agreement with an affiliate of Stone Works Holding Cooperatief U.A Netherlands for the sale of its entire share interest (88.4%) in the Company's share capital.

On 10 April 2009 the largest shareholder of the Company – FHL Manufacturing & Trading Co, I. Kyriakidis Granites & Marbles SA owning 88.4% of the Company's shares, concluded the transfer of its shares to Stone Works Holding Cooperatief U.A Netherlands.

The structure of share capital at 31 December 2009 is as follows (amounts in Eur.):

	Number	Amount	%
Stone Works Holding Cooperatief U.A Netherlands	4,143,357	4,143,357	88.40
Piraeus Bank SA.	468,700	468,700	10.00
Other – minority	74,801	74,801	1.60
	4,686,858	**4,686,858**	**100.00**

12.2 Revaluation surplus

Revaluation surplus, which at 31 December 2009 amounts Eur. 1,810,771 (31 December 2008: Eur. 1,927,347) was initially created during 2002, based upon the independent valuation of groups of Company's property, plant and equipment. Subsequent changes (transfers into retained earnings) relate to surpluses of those assets carried at valuation.

12.3 Reserves

Reserves, which at 31 December 2009 amounts Eur. 7,528,471 (31 December 2008: Eur. 7,528,471), are created during the years by allocation of parts of the net income after tax. According to the prevailing local legal regulations, the Company is required to set aside each year, 15% from its annual net income after tax, until the level of such reserves reach 20% of the registered capital.

Assembly decision, can be distributed for dividends to the shareholders and/or for purchase of its own shares. Total increase of the reserves during 2008, amounting Eur. 13,718 relates to allocation of accumulated profits.

(All amounts expressed in Euros, unless otherwise stated)

12.4 Dividends

At 21 May 2009 and according to the Shareholders's Assembly Decision no. 02-677/1, part of the prior years retained earnings amounting Eur. 468,683 (2008: Eur. 1,637,383) were allocated for dividends and fees to shareholders and Company's Management. Included into the above gross total, Eur. 5,447 relates to taxes on dividends.

During the year ended 31 December 2009, the Company has paid dividends in the total gross amount, including related local taxes, of Eur. 4,129,495 (2008: Eur. 225,423).

13 Borrowings

	2009	2008
Long – term interest bearing loans from banks		
Komercijalna Banka ad, Skopje (Eur.13,920,000; 6m.eurib.+5%)	7,609,163	8,003,901
Eurostandard Banka ad, Skopje (mkd 36,000,000; 11%)	558,273	-
	8,167,436	**8,003,901**
Less: current maturity of long term loans	(1,680,126)	(2,500,000)
Total long - term loans	**6,487,310**	**5,503,901**
Short – term interest bearing loans from banks		
Komercijalna Banka ad, Skopje (mkd.15,000,000;9.5%)	227,181	856,197
Eurostandard Banka ad, Skopje (mkd.97,500,000; 9%)	-	1,069,216
Komercijalna Banka ad, Skopje, visa credit card	1,205	-
Other loans from non-financial entities	-	7,327
	228,386	**1,932,740**
Add: current maturity of long term loans	1,680,126	2,500,000
Total short-term loans	**1,908,512**	**4,432,740**

Total loan additions during the year ended 31 December 2009 amounts Eur. 1,333,686 (2008: Eur. 7,523,878). Total loans repaid during the same period amounts Eur. 2,874,505 (2008: Eur. 6,139,989).

Loans from local financial institutions are secured by mortgage over part of the Company's properties (see also Notes 5 and 25).

The repayment schedule of long-term loans is as follows:

	2009	2008
Failing due within 1 – 2 years	2,955,281	2,347,758
Failing due within 2 – 5 years	3,532,029	3,156,143
	6,487,310	**5,503,901**

14 Trade and other payables

	2009	2008
Trade creditors		
Local suppliers	273,412	1,108,264
Foreign suppliers	101,963	63,879
Related party's payables	-	-
	375,375	**1,172,143**
Other current liabilities		
Dividends payables (net of local taxes)	2,059	3,298,785
Liabilities to employees and management	243,458	240,082
Interest payable	25,103	63,131
Customers' prepayments	27,045	40,334
Other	13,768	46,994
	311,433	**3,689,326**
	686,808	**4,861,469**

(All amounts expressed in Euros, unless otherwise stated)

15 Liabilities for taxes

	2009	2008
Concession fees and other levies	94,515	202,142
Corporate income tax liabilities	41,804	201,605
Tax on dividends distributed to non – residents	4,967	455,023
Tax penalties	473	82,312
Personal income tax liabilities	236	84,999
	141,995	**1,026,081**

16 Sales

	2009	2008
Local market	254,428	645,359
Foreign markets:		
- Greece	4,217,068	8,964,856
- Cyprus	10,927,709	-
- Other markets	352,934	656,533
Sub- total – sales on foreign markets	15,497,711	9,621,389
Total sales	**15,752,139**	**10,266,748**

17 Cost of sales

	2009	2008
Stock of finished products and W.I.P. at 01 January	5,703,695	5,898,849
Add: Total production for the year ended 31 December	6,507,681	6,738,513
Less: Stock of finished products and W.I.P. at 31 December	(5,129,689)	(5,703,695)
	7,081,687	**6,933,667**

18 Administrative and selling expenses

	Year ended 31 December 2009		Year ended 31 December 2008	
	Administrative	Selling	Administrative	Selling
Customers' discounts	-	2,539,487	-	17,942
Write off of bad debts (see Note 9)	-	1,083,937	-	385,552
Impairment loss on investments (see Note 8)	-	668,803	-	-
Consulting services	331,448	-	-	-
Depreciation	150,095	6,049	146,264	6,606
Staff costs	147,908	75,915	142,708	96,547
Services	53,053	116,451	53,664	52,539
Marketing and promotion	33,461	238	37,891	963
Materials, supplies and utilities	27,856	42,558	30,633	44,155
Taxes and other levies	20,105	117,176	20,520	62,456
Other expenses	306,754	4,860	291,646	2,674
	1,070,680	**4,655,474**	**723,326**	**669,434**

19 Staff costs

	2009	2008
Net salaries	1,820,540	1,531,474
Personal tax and mandatory contributions	914,810	940,611
Other allowances	170,105	298,775
	2,905,455	**2,770,860**

20 Other operating income

	2009	2008
Distributor commitment fee revenue	598,862	-
Payables write offs and stock count surplus	159,277	103,381
Income from rents	37,567	36,358
Income from collected previously written off receivables	2,983	-
Raw materials sold	1,523	7,340
Other income	24,634	32,418
	824,846	**179,497**

(All amounts expressed in Euros, unless otherwise stated)

21 Finance income and costs

	2009	2008
Income		
Interest income	2,552	1,468
Foreign exchange gains	143,913	115,599
	146,465	**117,067**
Expense		
Interest (expense)	(848,095)	(829,727)
Bank (charges)	(48,055)	(90,120)
Foreign exchange (losses)	(65,842)	(161,012)
	(961,992)	**(1,080,859)**
Finance costs, net	**(815,527)**	**(963,792)**

22 Income tax expense

	2009	2008
Current tax expense	181,602	230,610
	181,602	**230,610**

Following is the reconciliation of the total income tax expense to the profit as per statement of comprehensive income for the years ended 31 December 2009 and 2008:

	2009	2008
Profit before tax	**2,956,120**	**933,709**
Tax at 10% rate of (2008: 10%)	-	231,148
Adjusted for:		
Origination and reversal of temporary differences	-	-
Non – deductible expenses	492,790	14,468
Non – taxable income	(311,188)	(15,006)
Tax charge	**181,602**	**230,610**

23 Related party transactions

Balances and transactions with related parties

The Company manages its trading relationship with FHL Manufacturing & Trading Co, I. Kyriakidis Granites & Marbles SA, through Castleblock Limited, an affiliate of Stone Works Holding Cooperatief U.A.. None of the transactions incorporate special terms and conditions and no guarantees were given or received.

The table below provides for the volume and balances from the related party transactions as of and for the year ended 31 December 2009 and 2008:

31 December 2009	Cash	Receivables	Payables	Revenues	Purchases
Stone Works Holding Cooperatief U.A Netherlands	-	-	-	-	237,508
Castleblock Limited Nicosia Cyprus	-	5,052,461	-	10,927,709	109,306
Stopanska Banka AD Skopje	2,007	-	-	-	-
	2,007	**5,052,461**	**-**	**10,927,709**	**346,814**

31 December 2008	Cash	Receivables	Payables	Revenues	Purchases
FHL Manufacturing & Trading Co, I.Kyriakidis Granites & Marbles SA	-	5,791,657	-	9,560,564	1,158,237
	-	**5,791,657**	**-**	**9,560,564**	**1,158,237**

(All amounts expressed in Euros, unless otherwise stated)

24 Earnings per share

Basic

Basic earnings per share are calculated by dividing the profit attributable to equity holders by the weighted average number of ordinary shares in issue during the year.

	2009	2008
Profit attributable to equity holders of the Company	2,774,518	703,099
Weighted average number of ordinary shares	4,686,858	4,686,858
Basic earnings per share (Euros per share)	**0.59**	**0.15**

25 Contingent liabilities

Mortgages

Mortgages provided as of 31 December 2009 are as follows:

	Eur
Business premises	712,323
Machinery and equipment	587,000
	1,299,323

Guarantees

At 31 December 2009 the Company has obligations for issued short term guarantee in amount of Eur.65,388 (2008: Eur. 97,700). The guarantee is issued by Komercijalna Banka AD Skopje. The beneficiary of the guarantee is one supplier of the Company. The guarantee serves as security that the Company will pay its liabilities on time towards the beneficiary.

Litigations

At 31 December 2009, the estimated Euro equivalent of the legal proceedings raised against the Company amount in total of Eur. 254,618. No significant liabilities have been anticipated from these proceedings, as professional advice indicates that it is unlikely that any significant loss will arise.

Tax inspections

Up to 31 December 2009 the Company was subject of following tax inspections by tax authorities:

- for VAT till 30 June 2009;
- for Personal Income tax and Corporate Income tax for period from 1 January 2007 until 31 December 2008.

For the unaudited tax periods of the Company, for VAT – period from 1 July 2009 till 31 December 2009 and for Personal Income tax and Corporate Income tax – part of year 2005 and years 2006 and 2009 there is a possibility for additional taxes and penalties. The Company is conducting regular assessment for potential liabilities which are expected to arise from tax inspections of past years, taking the relevant reserves where necessary. The management is considering that such amounts which might occur will not have any material effect on the financial results and cash flows.

26 Concession agreements

During 2000 and 2001, the Company and the Ministry of Economy of the Republic of Macedonia have signed several concession agreements for the purpose of research and exploitation of local marble resources. Under the initial provisions, the Company is awarded with concession on the above-mentioned activities for a period of 30 years.

Following are the basic provisions as set out in the concession agreements under which, the Company is liable on:

- Annual fee for use of territory on which the concession has been granted in the amount of Eur. 5,742, and
- Concession fee on sold quantities of commercial marble at 5% determined at Eur. 294 per square meter and at 5% for excavating of marble - tomboline determined at 147 Euros per square meter according to the Methodology established by the Ministry of Economy of RM.

27 Information on operating segments

The Company is involved in a single main operating activity, the excavation, processing and sale of marbles and decorative stones. The biggest part of commercial transactions and receivables of Company refer to “FHL H. KYRIAKIDIS MARBLES GRANITES SA”, the ex-parent company. Consequently, the Company does not present economic information in separate operating segments and geographic sectors.

28 Events after the reporting date

There are no events occurred after the reporting date, that concerns the Company and which have to be disclosed according to IFRS requirements.

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