



Interim Financial Information and
Independent Auditors' Review Report

Mermeren Kombinat AD, Prilep

30 June 2011

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Independent Auditors' Review Report

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To the Management and Shareholders of
Mermeren Kombinat AD, Prilep

Introduction

We have reviewed the accompanying interim financial information consisting of Statement of financial position of **Mermeren Kombinat AD, Prilep** (“the Company”) as of 30 June 2011 and the related statements of comprehensive income, changes in equity and cash flows for the six - month period then ended and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standard 34, ‘Interim financial reporting’. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, ‘Review of Interim Financial Information Performed by the Independent Auditor of the Entity’. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with

International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects, the financial position of the Company as of 30 June 2011, and of its financial performance and its cash flows for the six – month period then ended in accordance with International Accounting Standard 34.

Grant Thornton

Skopje,
22 July 2011

Interim financial information
30 June 2011

Statement of Financial Position

	Note	At 30 June 2011	At 30 June 2010	(Amounts in EUR) At 31 December 2010
Assets				
Non-current assets				
Property, plant and equipment	6	12,942,037	13,621,510	12,818,194
Intangible assets	7	286,421	13,839	185,952
Non-current trade receivables	9	-	7,115,288	-
		13,228,458	20,750,637	13,004,146
Current assets				
Inventories	8	5,431,281	5,992,993	3,976,254
Trade and other receivables	9	14,057,164	12,665,836	20,063,655
Other short term financial assets	10	33	50,747	321
Cash and cash equivalents	11	292,691	351,139	2,310,334
		19,781,169	19,060,715	26,350,564
Total assets		33,009,627	39,811,352	39,354,710
Equity				
Capital and reserves attributable to equity holders				
Share capital	12.1	8,845,171	8,845,171	8,845,171
Reserves	12.3	7,528,471	7,528,471	7,528,471
Revaluation surplus	12.2	1,594,551	1,809,543	1,618,795
Retained earnings		9,048,337	7,560,450	12,180,238
Total equity		27,016,530	25,743,635	30,172,675
Liabilities				
Non – current liabilities				
Interest – bearing borrowings	13	2,641,028	4,923,030	3,532,029
		2,641,028	4,923,030	3,532,029
Current liabilities				
Interest – bearing borrowings	13	2,465,820	2,581,259	2,789,130
Trade and other payables	14	804,855	6,084,438	2,676,658
Liabilities for taxes	15	81,394	478,990	184,218
		3,352,069	9,144,687	5,650,006
Total liabilities		5,993,097	14,067,717	9,182,035
Total liabilities and shareholders' equity		33,009,627	39,811,352	39,354,710

This interim financial information was approved by the Board of Directors on 20 July 2011. Signed on its behalf by,

Mr. Mark Richard Jacobson

Chairman

Mr. Goran Poposki

General Executive Director

See accompanying notes to the interim financial information

Interim financial information
30 June 2011

Statement of Comprehensive Income

	Note	Six - month period ended 30 June		(Amounts in EUR) December 31
		2011	2010	2010
Sales	16	6,555,220	9,771,559	19,809,589
Cost of sales	17	(2,039,966)	(3,080,269)	(6,899,700)
Gross profit		4,515,254	6,691,290	12,909,889
Administrative and selling expenses	18	(950,461)	(2,488,775)	(6,666,006)
Other operating income / revenue	20	38,525	887,635	3,523,435
Operating profit		3,603,318	5,090,150	9,767,318
Finance income	21	170,740	96,761	364,528
Finance costs	21	(306,972)	(498,279)	(815,459)
Profit before income tax		3,467,086	4,688,632	9,316,387
Income tax (expense)	22	(113,738)	(87,954)	(286,669)
Profit for the period		3,353,348	4,600,678	9,029,718
Other comprehensive income		-	-	-
Total comprehensive income		3,353,348	4,600,678	9,029,718
Profit attributable to the holders of ordinary shares		3,353,348	4,600,678	9,029,718
Total comprehensive income attributable to the holders of ordinary shares		3,353,348	4,600,678	9,029,718
Earnings per share (expressed in Euros per share)	23	0.72	0.98	1.93

See accompanying notes to the interim financial information

Interim financial information
30 June 2011

Statement of Changes in Equity

	(Amounts in EUR)				
	Share capital	Reserves	Revaluation Surplus	Retained earnings	Total
At 1 January 2011	8,845,171	7,528,471	1,618,795	12,180,238	30,172,675
<u>Transaction with owners:</u>					
Dividends declared	-	-	-	(6,509,493)	(6,509,493)
Total transactions with owners	-	-	-	(6,509,493)	(6,509,493)
Profit for the period	-	-	-	3,353,348	3,353,348
<u>Other comprehensive income:</u>					
Transfer of surplus on tangible assets sold	-	-	(24,244)	24,244	-
Total other comprehensive income	-	-	(24,244)	24,244	-
Total comprehensive income	-	-	(24,244)	3,377,592	3,353,348
At 30 June 2011	8,845,171	7,528,471	1,594,551	9,048,337	27,016,530
At 1 January 2010 as stated	8,845,171	7,528,471	1,810,771	5,614,821	23,799,234
Equity movement based on IAS 8	-	-	-	(357)	(357)
Restated opening balance as at 1 January 2010	8,845,171	7,528,471	1,810,771	5,614,464	23,798,877
<u>Transactions with owners:</u>					
Dividends declared	-	-	-	(2,655,920)	(2,655,920)
Total transactions with owners	-	-	-	(2,655,920)	(2,655,920)
Profit for the period	-	-	-	4,600,678	4,600,678
<u>Other comprehensive income:</u>					
Transfer of surplus on tangible assets sold	-	-	(1,228)	1,228	-
Total other comprehensive income	-	-	(1,228)	1,228	-
Total comprehensive income	-	-	(1,228)	4,601,906	4,600,678
At 30 June 2010	8,845,171	7,528,471	1,809,543	7,560,450	25,743,635
At 1 January 2010 as stated	8,845,171	7,528,471	1,810,771	5,614,821	23,799,234
Equity movement based on IAS 8	-	-	-	(357)	(357)
Restated opening balance as at 1 January 2010	8,845,171	7,528,471	1,810,771	5,614,464	23,798,877
<u>Transactions with owners:</u>					
Dividends declared	-	-	-	(2,655,920)	(2,655,920)
Total transactions with owners	-	-	-	(2,655,920)	(2,655,920)
Profit for the year	-	-	-	9,029,718	9,029,718
<u>Other comprehensive income:</u>					
Transfer of surplus on tangible assets sold	-	-	(191,976)	191,976	-
Total other comprehensive income	-	-	(191,976)	191,976	-
Total comprehensive income	-	-	(191,976)	9,221,694	9,029,718
At 31 December 2010	8,845,171	7,528,471	1,618,795	12,180,238	30,172,675

See accompanying notes to the interim financial information

Interim financial information
30 June 2011

Statement of Cash Flows

		(Amounts in EUR)		
		Six - month period ended 30 June		December 31
	Note	2011	2010	2010
Operating				
Profit before income tax		3,467,086	4,688,632	9,316,387
<u>Adjusted for:</u>				
Depreciation and amortization	6,7	453,709	556,015	1,125,074
Loss from sale of government bonds	18	1,438	-	-
Write off of bad debts	18	7	4,389	19,018
Write off of obsolete inventories	18	-	-	1,829,761
Net carrying amount of equipment written off		-	-	862,126
Loss / (gain) on fixed assets sold		29,139	3,266	(5,706)
Payables written off	20	(848)	(60)	(17,633)
Finance result, net	21	136,232	401,518	450,931
Operating profit before working capital changes		4,086,763	5,653,760	13,579,958
<u>Changes in working capital:</u>				
Inventories		(1,456,465)	(240,318)	(53,340)
Trade and other receivables		4,135,310	(7,062,994)	(7,169,015)
Trade and other payables		33,239	3,079,099	1,777,527
Cash from operations		6,798,847	1,429,547	8,135,130
Interest paid		(164,395)	(263,901)	(495,589)
Income tax paid		(870,912)	(88,311)	(446,683)
Cash flows from operating activities, net		5,763,540	1,077,335	7,192,858
Investing				
Purchase of equipment, net of proceeds from sales		(702,510)	(269,314)	(1,049,249)
Investments in financial assets at fair value through profit and loss		-	(56,840)	-
Investments in government bonds, net		288	-	(321)
Interest received		3,129	4,233	13,624
Cash flows from investing activities, net		(699,093)	(321,921)	(1,035,946)
Financing				
(Repayment of) borrowings, net		(1,214,311)	(891,533)	(2,074,663)
Dividends paid		(5,857,500)	(334)	(2,390,298)
Cash flows from financing activities, net		(7,071,811)	(891,867)	(4,464,961)
Translation differences		(10,279)	(57,727)	73,064
Net change in cash and cash equivalents		(2,017,643)	(194,180)	1,765,015
Cash and cash equivalents at beginning	11	2,310,334	545,319	545,319
Cash and cash equivalents at end	11	292,691	351,139	2,310,334

See accompanying notes to the interim financial information

Notes to the Interim Financial Information

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.

On 10 April 2009 Stone Works Holding Cooperatief U.A Nederland’s acquired 88.4% of the Company’s shares.

The Company shares are listed on Macedonian Stock Exchange and Athens Stock Exchange.

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 30 June 2011 employs 391 persons (30 June 2010: 389 persons).

This interim financial information has been reviewed, not audited.

2 Basis of preparation

This interim financial information as of and for the six - month period ended 30 June 2011 has been prepared in accordance with IAS 34 “Interim financial reporting” as condensed financial information. The condensed interim financial information do not include all of the information required in annual financial statements in accordance with IFRS, and should be read in conjunction with the annual financial statements as of and for the year ended 31 December 2010, which have been prepared in accordance with IFRSs.

3 Accounting policies

3.1 Changes in accounting policies and disclosures

The accounting policies applied are consistent with those of the annual financial statements, as of and for the year ended 31 December 2010, as described in those annual financial statements, except for the adoption of *Improvements to IFRSs 2010* (2010 Improvements) as of 1 January 2011. The 2010 Improvements made several minor amendments to IFRSs. The relevant amendments and their effects on current period or prior periods are described below:

Accounting policies (continued)***Amendments to IAS 34 Interim Financial Reporting***

The amendments clarified certain disclosures relating to events and transactions that are significant to an understanding of changes in the Company's circumstances since the last annual financial statements. The Company's interim financial information as of 30 June 2011 reflect these amended disclosure requirements where applicable.

3.2 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 recognized 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:

	30 June 2011	30 June 2010	31 December 2010
1 USD	42.7175 Denars	50.4564 Denars	46.3140 Denars
1 EUR	61.6200 Denars	61.5467 Denars	61.5050 Denars

4 Estimates

When preparing the interim financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgments, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Company's last annual financial statements for the year ended 31 December 2010.

5 Significant events and transactions

As publicly announced on 22 February 2011, with reference to a distribution agreement entered into in April 2009 (the “Agreement”) with FHL Manufacturing & Trading Co. I. Kyriakidis Granites & Marbles SA (“FHL”) relating to the international distribution of the Company’s products, the Company has exercised an option provided for in the Agreement whereby, for the remaining term of the Agreement, as subsequently amended, the Company will no longer be subject to certain contractual restrictions including, notably, the exclusivity obligation to sell its products through FHL. This action was deemed by the Company as a necessary measure based on the belief that FHL, to the detriment of the Company, has defaulted on the obligations derived from the Agreement.

The significant decline of the Company’s trading and financial performance during the period since 31.12.2010 reflects the business disruption caused from the above deterioration of the Company’s relationship with FHL and the inevitable need for the Company to build its own direct marketing capabilities and alternative to FHL distribution channels while trying to establish and/or maintain key client relationships.

Notes to the Interim Financial Information (continued)
As of and for the six - month period ended 30 June 2011
(All amounts presented in Euros, unless otherwise stated)

6 Property, plant and equipment

	Land & buildings	Machinery & equipment	Construct.in progress	Total
Six months period ended 30 June 2011				
At 1 January 2011				
Cost or valuation	4,899,878	15,592,293	164,133	20,656,304
Accumulated depreciation	(1,463,751)	(6,374,359)	-	(7,838,110)
Net carrying amount	3,436,127	9,217,934	164,133	12,818,194
Changes during the period				
Opening net carrying amount	3,436,127	9,217,934	164,133	12,818,194
Translation differences	(6,391)	(17,345)	(319)	(24,055)
Additions, net of transfers from C.I.P.	38,121	586,275	15,349	639,745
Disposals-net	-	(57,661)	-	(57,661)
Depreciation charge for the year	(53,076)	(381,110)	-	(434,186)
Closing carrying amount	3,414,781	9,348,093	179,163	12,942,037
At 30 June 2011				
Cost or valuation	4,928,823	15,942,623	179,163	21,050,609
Accumulated depreciation	(1,514,042)	(6,594,530)	-	(8,108,572)
Net carrying amount	3,414,781	9,348,093	179,163	12,942,037
Six months period ended 30 June 2010				
At 1 January 2010				
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
Changes during the period				
Opening net carrying amount	3,846,374	10,031,015	115,228	13,992,617
Translation differences	(22,928)	(60,420)	(700)	(84,048)
Additions	21,940	251,284	-	273,224
Disposals-net	-	(7,176)	-	(7,176)
Depreciation charge for the year	(158,867)	(394,240)	-	(553,107)
Closing carrying amount	3,686,519	9,820,463	114,528	13,621,510
At 30 June 2010				
Cost or valuation	6,060,985	17,282,863	114,528	23,458,376
Accumulated depreciation	(2,374,466)	(7,462,400)	-	(9,836,866)
Net Carrying Amount	3,686,519	9,820,463	114,528	13,621,510
Year ended 31 December 2010				
At 1 January 2010				
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
Changes during the year				
Opening net carrying amount	3,846,374	10,031,015	115,228	13,992,617
Translation differences	(19,697)	(52,065)	(753)	(72,515)
Additions, net of transfers from C.I.P.	8,918	837,296	49,658	895,872
Disposals-net	(61,315)	(800,811)	-	(862,126)
Transfer to intangibles	(27,372)	-	-	(27,372)
Depreciation charge for the year	(310,781)	(797,501)	-	(1,108,282)
Closing carrying amount	3,436,127	9,217,934	164,133	12,818,194
At 31 December 2010				
Cost or valuation	4,899,878	15,592,293	164,133	20,656,304
Accumulated depreciation	(1,463,751)	(6,374,359)	-	(7,838,110)
Net carrying amount	3,436,127	9,217,934	164,133	12,818,194

Notes to the Interim Financial Information (continued)
As of and for the six - month period ended 30 June 2011
(All amounts presented in Euros, unless otherwise stated)

Property, plant and equipment (continued)

Construction in progress

The balance of construction in progress as at 30 June 2011 in the amount of 179,163 Euros consists of the cost of building part of filtering station and purchased computer and other equipment.

Sale of machinery and equipment

During the period ended 30 June 2011 the Company sold equipment with the net carrying value in the amount of 57,661 Euros (cost or valuation: 206,486 Euros and accumulated depreciation: 148,825 Euros). The sales value of sold equipment amounts to 28,522 Euros (see Note 20). Net loss from these transactions amounts to 29,139 Euros, consisting of gains in the amount of 5,198 Euros, included in other operating income, as well as losses in the amount of 34,337 Euros included in other expense. Related revaluation surplus transferred into retained earnings amounts to 24,244 Euros.

Property, plant and equipment pledged

As of 30 June 2011, the Company has pledged part of its property, plant and equipment to secure borrowings (see Note 13). As of the statement of financial position date, their appraised value is in the amount of 8,400,000 Euros (see Note 25).

7 Intangible assets

	Software and development expenditure	Intangibles in process of acquisition	Total
At 1 January 2011			
Cost or valuation	157,499	62,775	220,274
Accumulated depreciation	(34,322)	-	(34,322)
Net carrying amount	123,177	62,775	185,952
Changes during the period			
Opening net carrying amount	123,177	62,775	185,952
Translation differences	(320)	(115)	(435)
Additions	114,049	6,378	120,427
Depreciation charge for the year	(19,523)	-	(19,523)
Closing carrying amount	217,383	69,038	286,421
At 30 June 2011			
Cost or valuation	271,228	69,038	340,266
Accumulated depreciation	(53,845)	-	(53,845)
Net carrying amount	217,383	69,038	286,421
Six months period ended 30 June 2010			
At 1 January 2010			
Cost or valuation	29,042	-	29,042
Accumulated depreciation	(12,204)	-	(12,204)
Net carrying amount	16,838	-	16,838
Changes during the period			
Opening net carrying amount	16,838	-	16,838
Translation differences	(50)	-	(50)
Depreciation charge for the year	(2,949)	-	(2,949)
Closing carrying amount	13,839	-	13,839
At 30 June 2010			
Cost or valuation	28,992	-	28,992
Accumulated depreciation	(15,153)	-	(15,153)
Net carrying amount	13,839	-	13,839

Notes to the Interim Financial Information (continued)
As of and for the six - month period ended 30 June 2011
(All amounts presented in Euros, unless otherwise stated)

Intangible assets (continued)

	Software and development expenditure	Intangibles in process of acquisition	Total
Year ended 31 December 2010			
At 1 January 2010			
Cost or valuation	29,042	-	29,042
Accumulated depreciation	(12,204)	-	(12,204)
Net carrying amount	16,838	-	16,838
Changes during the year			
Opening net carrying amount	16,838	-	16,838
Translation differences	(379)	(170)	(549)
Additions, net of transfers from intangibles in progress	96,138	62,945	159,083
Transfer from PPE	27,372	-	27,372
Depreciation charge for the year	(16,792)	-	(16,792)
Closing carrying amount	123,177	62,775	185,952
At 31 December 2010			
Cost or valuation	157,499	62,775	220,274
Accumulated depreciation	(34,322)	-	(34,322)
Net carrying amount	123,177	62,775	185,952

Intangibles in process of acquisition

As of 30 June 2011 the balance of intangibles in progress in the amount of 69,038 Euros relates to acquisition of software from Login Sistemi doo Skopje, a local software supplier.

Allocation of depreciation charge

Out of the total depreciation and amortization for the period ended 30 June 2011 amounting 453,709 Euros, 430,006 Euros has been charged in "cost of sales" and the remaining, in the amount of 23,703 Euros - into administrative and selling expenses.

8 Inventories

	30 June 2011	30 June 2010	31 December 2010
Work in progress	3,790,480	5,332,190	3,497,458
Finished products	1,118,226	12,830	12,060
Spare parts	325,623	458,917	315,916
Raw materials	160,167	162,872	134,026
Trade goods	25,498	10,298	8,692
Other	11,287	15,886	8,102
	5,431,281	5,992,993	3,976,254

Notes to the Interim Financial Information (continued)
As of and for the six - month period ended 30 June 2011
(All amounts presented in Euros, unless otherwise stated)

9 Trade and other receivables

	30 June 2011	30 June 2010	31 December 2010
Non-current trade receivables			
Foreign debtors	-	7,115,288	-
Total non-current trade receivables	-	7,115,288	-
Current trade receivables			
Local debtors	412,092	336,070	359,689
Foreign debtors	7,409,624	106,754	7,271,098
Related party's receivables	4,816,862	10,585,462	9,550,665
	12,638,578	11,028,286	17,181,452
Less: provision for impairment	(83,144)	(83,243)	(83,299)
	12,555,434	10,945,043	17,098,153
Prepayments and other receivables			
Deferred expenses	88,025	1,511,188	7,250
Prepaid VAT	243,121	151,421	175,496
Advances to suppliers	265,606	33,098	14,042
Other current receivables	904,978	25,086	2,768,714
	1,501,730	1,720,793	2,965,502
Current trade and other receivables, net	14,057,064	12,665,836	20,063,655

On 24 March 2009, the Company entered into a settlement agreement with Phalercos LTD Cyprus for determining the payment schedule of the outstanding receivables. According to the agreement, the receivables of Phalercos LTD Cyprus in the amount of 7,115,288 Euros will become due for payment on 31 December 2011. The Company is taking steps to ensure the payment of the amount due on 31 December 2011.

Following table discloses the concentration of debts by major local and foreign customers for the periods ended 30 June 2011 and 2010 and for the year ended on 31 December 2010:

	30 June 2011	30 June 2010	31 December 2010
Phalercos LTD Cyprus	7,115,288	7,115,288	7,115,288
Castleblock Limited, Cyprus	4,816,862	10,585,462	9,550,665
FHL Manufacturing & Trading Co, I.Kyriakidis Granites & Marbles SA.	-	348	-
Other customers	706,428	442,476	515,499
Total	12,638,578	18,143,574	17,181,452

Castleblock, a related party, acts as an arms-length distributor of the Company's products.

At 30 June 2011 the age structure of trade receivables and advances to suppliers is as follows:

	Domestic trade receivables	Foreign trade receivables	Advances	Total
Amount not due	-	11,932,150	-	11,932,150
Overdue up to 1 year	137,623	210,587	260,540	608,750
Overdue more than 1 year	274,469	83,749	5,066	363,284
	412,092	12,226,486	265,606	12,904,184
Less : provision for impairment	(83,144)	-	-	(83,144)
	328,948	12,226,486	265,606	12,821,040

Notes to the Interim Financial Information (continued)
As of and for the six - month period ended 30 June 2011
(All amounts presented in Euros, unless otherwise stated)

Trade and other receivables (continued)

At 30 June 2010 the age structure of trade receivables and advances to suppliers is as follows:

	Domestic trade receivables	Foreign trade receivables	Advances	Total
Amount not due	14,844	6,101,225	-	6,116,069
Overdue up to 1 year	23,813	4,502,134	29,215	4,555,162
Overdue more than 1 year	297,413	88,857	3,883	390,153
	336,070	10,692,216	33,098	11,061,384
Less : provision for impairment	(83,243)	-	-	(83,243)
	252,827	10,692,216	33,098	10,978,141

At 31 December 2010 the age structure of trade receivables and advances to suppliers is as follows:

	Domestic trade receivables	Foreign trade receivables	Advances	Total
Amount not due	-	16,663,904	-	16,663,904
Overdue up to 1 year	84,308	74,923	12,449	171,680
Overdue more than 1 year	275,381	82,936	1,593	359,910
	359,689	16,821,763	14,042	17,195,494
Less: provision for impairment	(83,299)	-	-	(83,299)
	276,390	16,821,763	14,042	17,112,195

At 30 June 2011 the credit quality of Company's trade receivables and advances to suppliers can be analyzed as follows:

	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Cost	12,540,900	280,140	83,144	12,904,184
Less: Impairment provision	-	-	(83,144)	(83,144)
	12,540,900	280,140	-	12,821,040

At 30 June 2010 the credit quality of Company's trade receivables and advances to suppliers can be analyzed as follows:

	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Cost	10,671,231	306,910	83,243	11,061,384
Less: Impairment provision	-	-	(83,243)	(83,243)
	10,671,231	306,910	-	10,978,141

At 31 December 2010 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	16,835,584	276,611	83,299	17,195,494
Less: Impairment provision	-	-	(83,299)	(83,299)
	16,835,584	276,611	-	17,112,195

Notes to the Interim Financial Information (continued)
As of and for the six - month period ended 30 June 2011
(All amounts presented in Euros, unless otherwise stated)

Trade and other receivables (continued)

Following table provides for the movement of impairment provision account for the periods ended 30 June 2011 and 30 June 2010 and for the year ended on 31 December 2010:

	30 June 2011	30 June 2010	31 December 2010
At 1 January	83,299	97,327	97,327
Written off of previously impaired receivables	-	(13,535)	(13,539)
Translation differences	(155)	(549)	(489)
At 30 June / 31 December	83,144	83,243	83,299

From the total other receivables as at 30 June 2011 amounting 904,978 Euros, receivables in amount of 872,026 Euros are receivables from FHL Manufacturing & Trading Co, I. Kyriakidis Granites & Marbles S.A., Greece for the breach of certain provisions of the Distribution Agreement signed between the Company and FHL. The amount of 872,026 Euros represents the net amount arising from offsetting of receivables from FHL in amount of 2,852,026 Euros and liabilities in amount of 1,980,000 Euros (see note14). As at 30 June 2011 the Company recognized 108,826 Euros as interest income (2010: 2,553,168 Euros recognized as other operating income (see Note 20) and 189,832 Euros recognized as interest income).

10 Other short term financial assets

Other short term financial assets consist entirely of bonds issued by the Government of the Republic of Macedonia, the majority of which were used to settle the Company's concession liabilities towards the Ministry of Economy of the Republic of Macedonia. Government bonds are carried at fair value.

	30 June 2011	30 June 2010	31 December 2010
At 1 January	321	-	-
Investment in held to maturity government bonds	68,929	56,840	197,958
Sold government bonds	(45,760)	-	-
Settlement of liabilities for concession	(21,957)	-	(198,355)
Loss from sale of government bonds	(1,438)	-	-
Matured government bonds	-	(6,127)	-
Translation differences	(62)	34	718
At 30 June / 31 December	33	50,747	321

11 Cash and cash equivalents

	30 June 2011	30 June 2010	31 December 2010
Bank accounts	290,513	349,403	2,309,182
Cash on hand	2,178	1,736	1,152
	292,691	351,139	2,310,334

12 Equity

12.1 Share capital

	Number of shares	Ordinary shares (Euros)	Amount (in Euros) Share premium (Euros)	Total (Euros)
<i>Authorized, issued and fully paid ordinary shares 1 Euro at par</i>				
At 30 June 2011	4,686,858	4,686,858	4,158,313	8,845,171
At 30 June 2010	4,686,858	4,686,858	4,158,313	8,845,171
At 31 December 2010	4,686,858	4,686,858	4,158,313	8,845,171

Notes to the Interim Financial Information (continued)
As of and for the six - month period ended 30 June 2011
(All amounts presented in Euros, unless otherwise stated)

Equity (continued)

The structure of share capital at 30 June 2011, 30 June 2010 and 31 December 2010 is as follows (amounts in Euros):

	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 30 June 2011 amounts 1,594,551 Euros (30 June 2010: 1,809,543 Euros, 31 December 2010: 1,618,795 Euros) was initially created during 2002, based upon the independent valuation of groups of the Company's property, plant and equipment. Subsequent changes (transfers into retained earnings) relate to surpluses of those assets sold.

12.3 Reserves

Reserves, which at 30 June 2011 amount to 7,528,471 Euros (30 June 2010 and 31 December 2010: the same) 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.

With an assembly decision reserves can be distributed for dividends to the shareholders and/or for purchase of its own shares.

12.4 Dividends and management fees

At 18 April 2011 and according to the Shareholders' Assembly Decision no. 02-40, part of the prior years retained earnings amounting 6,509,493 Euros (2010: 2,655,920 Euros) were allocated for dividends. Included into the above gross total, 650,920 Euros (2010: 265,622 Euros) relates to taxes on dividends.

During May and June 2011 the Company paid dividends to its shareholders in the total amount of 6,508,420 Euros (2010: 2,655,920 Euros).

13 Borrowings

	30 June 2011	30 June 2010	31 December 2010
<u>Long – term interest bearing borrowings from banks</u>			
Komercijalna Banka ad, Skopje (15,220,000 Euros)	4,923,030	7,135,479	6,314,031
Eurostandard Banka (MKD 36,000,000)	-	368,793	-
	4,923,030	7,504,272	6,314,031
Less: current maturity of long term borrowings	(2,282,002)	(2,581,242)	(2,782,002)
Total long - term borrowings	2,641,028	4,923,030	3,532,029
<u>Short – term interest bearing borrowings from banks</u>			
Komercijalna Banka ad, Skopje (200,000 Euros)	183,333	-	-
Komercijalna Banka ad, Skopje, Visa credit card	485	17	7,128
	183,818	17	7,128
Add: current maturity of long term borrowings	2,282,002	2,581,242	2,782,002
Total short-term borrowings	2,465,820	2,581,259	2,789,130

Notes to the Interim Financial Information (continued)
As of and for the six - month period ended 30 June 2011
(All amounts presented in Euros, unless otherwise stated)

Borrowings (continued)

The long term borrowings repayment schedule is as follows:

	30 June 2011	30 June 2010	31 December 2010
Due within 12 months	2,282,002	2,581,242	2,782,002
Due within 1 – 2 years	1,782,002	2,282,002	1,782,002
Due within 2 – 5 years	859,026	2,641,028	1,750,027
	4,923,030	7,504,272	6,314,031

Loans from local financial institutions are secured by mortgage over part of the Company's properties (see also Notes 6 and 25).

14 Trade and other payables

	30 June 2011	30 June 2010	31 December 2010
Trade creditors			
Local suppliers	325,311	266,253	228,230
Foreign suppliers	59,474	53,273	2,022,280
Related party's payables	-	87,927	-
	384,785	407,453	2,250,510
Other current liabilities			
Accrued expenses for payments of distributors fee	119,791	2,998,699	-
Dividends payables (net of local taxes)	1,742	2,366,652	778
Liabilities to employees and management	250,389	245,425	374,659
Customers' prepayments	26,042	27,181	15,245
Interest payable	16,107	22,593	20,411
Other	5,999	16,435	15,055
	420,070	5,676,985	426,148
	804,855	6,084,438	2,676,658

As of 30 June 2011 the Company offset its liabilities to FHL in the amount of 1,980,000 Euros with its receivables from FHL in the amount of 2,852,026 pursuant to the provisions of the Distribution Agreement between the Company and FHL dated 07 April 2009, as amended (see Note 9).

15 Liabilities for taxes

	30 June 2011	30 June 2010	31 December 2010
Corporate income tax liabilities	-	265,852	105,341
Concession fees and other levies	73,975	180,817	77,802
Tax on dividends distributed to non – residents	1,900	32,095	104
Personal income tax liabilities	5,519	226	971
	81,394	478,990	184,218

16 Sales

	Six - month period ended 30 June 2011	30 June 2010	Year ended 31 December 2010
Local market	290,966	84,042	204,163
Foreign markets:			
- Cyprus	5,653,254	9,457,435	19,044,590
- Other markets	611,000	230,082	560,836
	6,264,254	9,687,517	19,605,426
Total sales	6,555,220	9,771,559	19,809,589

Notes to the Interim Financial Information (continued)
As of and for the six - month period ended 30 June 2011
(All amounts presented in Euros, unless otherwise stated)

17 Cost of sales

	Six - month period ended 30 June		Year ended 31
	2011	2010	December 2010
Stock of finished products and W.I.P. at the beginning of the period	3,509,518	5,129,689	5,129,689
Add: Total production for the period ended 30 June / 31 December	3,439,154	3,295,600	5,279,529
Less: Stock of finished products and W.I.P. at the end of period	(4,908,706)	(5,345,020)	(3,509,518)
	2,039,966	3,080,269	6,899,700

18 Administrative and selling expenses

	Six - month period ended 30 June 2011		Six - month period ended 30 June 2010		Year ended 31 December 2010	
	Administrative	Selling	Administrative	Selling	Administrative	Selling
Customers' discounts	-	39,968	-	1,503,911	-	1,985,355
Write off of obsolete inventories	-	-	-	-	-	1,829,761
Present value of assets sold and written off	-	57,661	-	-	-	854,113
Consulting services	218,024	-	317,286	-	631,766	-
Staff costs	265,952	33,367	127,478	61,033	251,735	94,463
Depreciation	23,453	250	75,572	3,146	148,325	6,404
Services	42,133	69,805	30,446	97,487	75,172	200,526
Marketing and promotion	34,192	1,568	22,043	783	54,247	1,078
Taxes and other levies	7,858	-	20,041	77,771	39,896	147,763
Materials, supplies and utilities	12,434	12,100	16,127	19,209	30,988	43,691
Write off of bad debts	-	7	-	4,389	-	19,018
Loss from sale of government bonds	-	1,438	-	-	-	-
Other expenses	126,132	4,119	104,491	7,562	247,568	4,137
	730,178	220,283	713,484	1,775,291	1,479,697	5,186,309

19 Staff costs

	Six - month period ended 30 June		Year ended 31
	2011	2010	December 2010
Net salaries	1,145,403	1,034,317	2,077,355
Personal tax and mandatory contributions	489,275	452,199	941,247
Other allowances	110,077	49,872	110,752
	1,744,755	1,536,388	3,129,354

20 Other operating income / revenue

	Six - month period ended 30 June		Year ended 31
	2011	2010	December 2010
Income from tangible assets sold	28,522	3,910	5,460
Income from investments in government bonds	2,735	-	37,490
Payables write offs and stock count surplus	848	60	17,633
Income from breach of provisions of distribution agreement (Note 9)	-	-	2,553,168
Distributor commitment fee revenue	-	853,758	854,049
Income from rents	-	20,086	41,148
Raw materials sold	-	349	4,022
Other income	6,420	9,472	10,465
	38,525	887,635	3,523,435

Notes to the Interim Financial Information (continued)
As of and for the six - month period ended 30 June 2011
(All amounts presented in Euros, unless otherwise stated)

21 Finance income and costs

	Six - month period ended 30 June		Year ended 31
	2011	2010	December 2010
Finance income			
Interest income	111,955	4,233	217,173
Foreign exchange gains	58,785	92,528	147,355
	170,740	96,761	364,528
Finance costs			
Interest (expense)	(180,539)	(263,901)	(491,019)
Bank (charges)	(33,954)	(11,685)	(41,409)
Foreign exchange (losses)	(92,479)	(222,693)	(283,031)
	(306,972)	(498,279)	(815,459)
Finance costs, net	(136,232)	(401,518)	(450,931)

22 Income tax expense

	Six - month period ended 30 June		Year ended 31
	2011	2010	December 2010
Current tax expense	113,738	87,954	286,669
Deferred tax expense	-	-	-
	113,738	87,954	286,669

Following is the reconciliation of the total income tax expense to the profit as per income statement:

	Six - month period ended 30 June		Year ended 31
	2011	2010	December 2010
Profit before tax	3,467,086	4,688,632	9,316,387
Tax at rate of 10%	-	-	-
Adjusted for:			
Non – deductible expenses	113,738	87,954	286,669
Income tax expense	113,738	87,954	286,669

23 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.

	Six - month period ended 30 June		Year ended 31
	2011	2010	December 2010
Profit attributable to equity holders of the Company	3,353,348	4,600,678	9,029,718
Weighted average number of ordinary shares	4,686,858	4,686,858	4,686,858
Basic earnings per share (Euro per share)	0.72	0.98	1.93

Notes to the Interim Financial Information (continued)
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(All amounts presented in Euros, unless otherwise stated)

24 Related parties

The table below provides for the volume and balances from the related party transactions as of and for the periods ended 30 June 2011 and 30 June 2010 and for the year ended 31 December 2010:

30 June 2011	Cash	Receivables	Payables	Income	Expenses
Stone Works Holding Cooperatief U.A Netherlands	-	-	-	-	200,187
Castleblock Limited Nicosia Cyprus	-	4,816,862	-	5,653,254	56,609
NBGI Private Equity London	-	-	-	-	-
Ethemba Capital No.8 NV Curacao Netherlands Antilles	-	-	-	-	-
Stopanska Banka AD Skopje	35,124	-	-	-	-
Key management remuneration	-	-	-	-	212,601
	35,124	4,816,862	-	5,653,254	469,397
30 June 2010	Cash	Receivables	Payables	Income	Expenses
Stone Works Holding Cooperatief U.A Netherlands	-	-	-	-	200,642
Castleblock Limited Nicosia Cyprus	-	10,585,462	87,927	9,457,435	128,304
NBGI Private Equity London	-	-	-	-	50,006
Ethemba Capital No.8 NV Curacao Netherlands Antilles	-	-	-	-	25,003
Stopanska Banka AD Skopje	1,524	-	-	-	-
Key management remuneration	-	-	-	-	185,506
	1,524	10,585,462	87,927	9,457,435	589,461
31 December 2010	Cash	Receivables	Payables	Income	Expenses
Stone Works Holding Cooperatief U.A Netherlands	-	-	-	-	401,242
Castleblock Limited Nicosia Cyprus	-	9,550,665	-	19,044,590	224,226
NBGI Private Equity London	-	-	-	-	116,212
Ethemba Capital No.8 NV Curacao Netherlands Antilles	-	-	-	-	58,103
Stopanska Banka AD Skopje	1,583	-	-	-	-
Key management remuneration	-	-	-	-	325,519
	1,583	9,550,665	-	19,044,590	1,125,302

25 Contingent liabilities

Mortgages

Mortgages provided are as follows:

	Six - month period ended 30 June		Year ended 31
	2011	2010	December
			2010
Business premises	2,600,000	712,323	-
Machinery & equipment	5,800,000	587,000	-
	8,400,000	1,299,323	-

Notes to the Interim Financial Information (continued)
As of and for the six - month period ended 30 June 2011
(All amounts presented in Euros, unless otherwise stated)

Contingent liabilities (continued)

Guarantees

Guarantees provided are as follows:

	Six - month period ended 30 June		Year ended 31
	2011	2010	December
			2010
Issued by Komercijalna Banka AD Skopje	303,914	64,991	65,035
	303,914	64,991	65,035

The beneficiaries of the guarantees are Company's suppliers. The guarantees serve as security that the Company will pay its liabilities on time towards the beneficiaries.

Litigations

At 30 June 2011, the estimated Euro equivalent of the legal proceedings raised against the Company amount in total 141,732 Euros (30 June 2010: Euros 219,216; 31 December 2010: Euros 225,900). 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 30 June 2011 the Company was subject of following tax inspections by tax authorities:

- for VAT until 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 until 30 June 2011 and for Personal Income tax and Corporate Income tax – part of year 2005 and years 2006, 2009, 2010 and for period from 1 January until 30 June 2011 there is a possibility for additional taxes and penalties. The Company regularly assess potential liabilities which are expected to arise from tax inspections of past years. The management is considering that such amounts which might occur will not have any material effect on the financial results and cash flows.

26 Commitments

Operating lease liabilities

As of 30 June 2011 the operating lease liabilities relates to lease of vehicles. Repayment schedule of operating lease liabilities is as follows:

	Six - month period ended 30 June		Year ended 31
	2011	2010	December
			2010
Operating lease liabilities			
Present value of payment:			
Due within 1 year	31,400	15,921	31,400
Due between 1 – 5 years	61,473	47,763	77,173
Due over 5 years	-	-	-
	92,873	63,684	108,573

Notes to the Interim Financial Information (continued)
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(All amounts presented in Euros, unless otherwise stated)

27 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 5,742 Euros; and
- Concession fee on sold quantities of commercial marble according to the Methodology established by the Ministry of Economy of RM for:
 - blocks at 5% of the value of the material determined at 294 Euros /m³ and
 - tombolons at 5% of the value of material determined at 147 Euros /m³.

28 Information on operating segments

At 30 June 2011 and 2010 and 31 December 2010, the Company is organized into the following operating segments:

- quarry;
- factory.

Operating results per segments for the periods ended 30 June 2011 and 2010, and the year ended 31 December 2010, are as follows:

	Quarry	Factory	Total
Period ended 30 June 2011			
Sales	5,941,488	613,732	6,555,220
Profit from operating activities	3,431,062	172,256	3,603,318
Financial result, net			(136,232)
Profit before tax			3,467,086
Income tax			(113,738)
Profit for the year			3,353,348
Other comprehensive income			-
Total comprehensive income for the year			3,353,348
Period ended 30 June 2010			
Sales	7,766,196	2,005,363	9,771,559
Profit from operating activities	4,776,939	313,211	5,090,150
Financial result, net			(401,518)
Profit before tax			4,688,632
Income tax			(87,954)
Profit for the year			4,600,678
Other comprehensive income			-
Total comprehensive income for the year			4,600,678
Year ended 31 December 2010			
Sales	15,157,385	4,652,204	19,809,589
Profit from operating activities	9,009,811	757,507	9,767,318
Financial result, net			(450,931)
Profit before tax			9,316,387
Income tax			(286,669)
Profit for the year			9,029,718
Other comprehensive income			-
Total comprehensive income for the year			9,029,718

Notes to the Interim Financial Information (continued)
As of and for the six - month period ended 30 June 2011
(All amounts presented in Euros, unless otherwise stated)

Information on operating segments (continued)

Segment assets and liabilities as of 30 June 2011 and 2010, and 31 December 2010 are as follows:

	Quarry	Factory	Total
30 June 2011			
Total assets	24,792,735	10,196,892	34,989,627
Liabilities	7,704,745	268,352	7,973,097
Capital expenditures	740,915	19,257	760,172
30 June 2010			
Total assets	26,505,085	13,306,267	39,811,352
Liabilities	12,720,741	1,346,976	14,067,717
Capital expenditures	269,395	3,829	273,224
31 December 2010			
Total assets	26,123,650	13,231,060	39,354,710
Liabilities	8,510,300	671,735	9,182,035
Capital expenditures	1,008,761	43,369	1,052,130

Sales per geographical regions are as follows:

	Six months period ended		Year ended
	2011	2010	2010
Macedonia	290,966	84,042	204,163
Cyprus	5,653,254	9,457,435	19,044,590
Other	611,000	230,082	560,836
	6,555,220	9,771,559	19,809,589

29 Events after the reporting date

Related to the matter stated in Note 5, on 1 July 2011 the Company and Castleblock Limited (as Respondents) were notified with a request for arbitration by FHL Manufacturing & Trading Co. I. Kyriakidis Granites & Marbles SA (as Claimant) revolving around alleged breaches by the Respondents of the Agreement. The Company declares that not only it has complied with the Agreement but, to the contrary, as per above, it believes that FHL has indeed defaulted on the Agreement. The Company intends to strongly defend its rights within the arbitration proceedings.

Taking into account that the legal case before the arbitral tribunal is at a very early stage the outcome of this matter as of the date of issuance of this interim financial information cannot be predicted with any reasonable assurance. This interim financial information does not indicate any possible adjustments of the Company's assets and liabilities which would be required in case of a potential unfavourable outcome of the matters disclosed above.



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