

Interim financial statements and independent auditors' review report

FHL Mermeren kombinat a.d., Prilep

30 June 2007

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Independent auditors' review report

To the Management and Shareholders of FHL Mermeren kombinat a.d., Prilep

We have reviewed the accompanying interim financial statements of FHL Mermeren Kombinats a.d., Prilep ("The Company") as of and for the six months period ended 30 June 2007 and included on pages 2 to 17. These interim financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these interim financial statements based on our review.

We conducted our review in accordance with International Standards on Review Engagements 2400 "Engagements to review financial statements". This standard requires that we plan and perform the review to obtain moderate assurance as to whether the interim financial statements are free of material misstatements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit, and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not presented fairly, in all material respects in accordance with International Financial Reporting Standards, as issued by International Accounting Standards Board.

Grant Thornton

Skopje,
July 20 2007

Balance sheet

	Note	At 30 June 2007	(Amounts in EUR) At 31 December 2006
Assets			
Non-current assets			
Property, plant and equipment	4	12,597,124	12,999,603
Intangible assets	5	706,728	884,214
Available – for – sale investments	6	1,670,154	1,670,020
		14,974,006	15,553,837
Current assets			
Inventories	7	5,967,382	5,966,692
Trade and other receivables	8	16,413,456	16,416,065
Cash and cash equivalents	9	13,896	1,945
		22,394,734	22,384,702
Total assets		37,368,740	37,938,539
Shareholders' equity	10		
Share capital		8,845,171	8,845,171
Reserves		7,310,137	7,310,137
Revaluation surplus		2,113,574	2,113,574
Retained earnings		6,436,114	5,300,699
Total shareholders' equity		24,704,996	23,569,581
Liabilities			
Non – current liabilities			
Interest – bearing borrowings	11	6,978,267	8,500,002
		6,978,267	8,500,002
Current Liabilities			
Interest – bearing borrowings	11	2,797,732	355,772
Trade and other payables	12	2,289,143	4,373,911
Liabilities for taxes		598,602	1,139,273
		5,685,477	5,868,956
Total liabilities		12,663,744	14,368,958
Total liabilities and shareholders' equity		37,368,740	37,938,539

These financial statements have been approved by the Board of Directors on 30 June 2007 and signed on its behalf by,

Mr. Ilias Kiriakidis
General Executive Director

See accompanying notes to the interim financial statements

Statement of income

		(Amounts in EUR)	
		Six months period ended 30 June	
	Note	2007	2006
Sales	13	5,605,746	6,842,356
Cost of sales	14	(3,375,957)	(4,800,445)
Gross profit		2,229,789	2,041,911
Administrative and selling (expenses)	15	(588,507)	(735,697)
Other operating income	16	83,143	519,763
Profit from operations		1,724,425	1,825,977
Financial (charges), net	18	(430,816)	(338,438)
Profit before income tax		1,293,609	1,487,539
Income tax (expense)	19	(158,194)	(64,944)
Net profit for the period		1,135,415	1,422,595
Attributable to:			
Holders of ordinary shares	21	1,135,415	1,422,595
Earnings per share (expressed in Euros per share)	21	0,24	0,30

Statement of changes in equity

	(Amounts in Eur)				
	Share Capital	Reserves	Revaluat. Surplus	Retained earnings	Total
At 01 January 2006	8,845,171	7,094,000	2,053,748	6,471,310	24,464,229
Re – evaluation of property, plant and equip.	-	-	59,826	-	59,826
Additional tax liabilities	-	-	-	(182,257)	(182,257)
Reconciliation of reserves and ret.earnings	-	76,384	-	(76,384)	-
Profit for the year	-	-	-	2,312,645	2,312,645
Dividends declared	-	-	-	(3,084,862)	(3,084,862)
Allocation of retained earnings	-	139,753	-	(139,753)	-
At 31 December 2006	8,845,171	7,310,137	2,113,574	5,300,699	23,569,581
At 01 January 2007	8,845,171	7,310,137	2,113,574	5,300,699	23,569,581
Net profit for the period ended 30 June 2007	-	-	-	1,135,415	1,135,415
At 30 June 2007	8,845,171	7,310,137	2,113,574	6,436,114	24,704,996

Statement of cash flows

		(Amounts in EUR)	
		Six months period ended 30 June	
	Note	2007	2006
Operating			
Net profit before tax		1,293,609	1,487,539
<u>Adjusted for:</u>			
Depreciation and amortization		609,137	638,813
Gains on securities & tangibles sold		-	(403,851)
Loss from fixed assets sold		5,166	-
Interest income		(10,381)	(280,960)
Interest expense & bank charges		441,197	626,536
Operating profit before working capital changes		2,338,728	2,068,077
<u>Changes in working capital:</u>			
Inventories		690	38,463
Trade and other receivables		2,609	(1,142,305)
Trade and other payables		(51,781)	(750,507)
Cash from / (used in) operations		2,290,246	213,728
Interest paid		(462,534)	(626,537)
Income tax paid		(158,194)	(64,944)
		1,669,518	(477,753)
Investing			
Purchase of equipment and intangibles		(71,618)	(149,737)
Proceeds from equipment sold		38,367	-
Purchase of securities		-	563,452
Interest received		10,381	280,939
		(22,870)	694,654
Financing			
Proceeds from / (repayment of) borrowings		920,225	89,965
Dividends paid		(2,554,923)	(29,199)
		(1,634,698)	60,766
Net change in cash and cash equivalents		11,950	277,667
Cash and cash equivalents at beginning	9	1,945	11,802
Cash and cash equivalents at end	9	13,895	289,469

See accompanying notes to the interim financial statements

Notes to the interim financial statements

30 June 2007

1 General

FHL Mermeren kombinat a.d., 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: No. 222, Marsal Tito str., Prilep, Republic of Macedonia.

At 30 June 2007 and 31 December 2006, the majority of total issued shares -88.4% is owned by FHL Manufacturing & Trading Co, I.Kyriakidis Granites & Marbles S.A., Greece, which is the Company’s ultimate parent.

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 2007 employs 386 persons (2006: 406).

Following are the principal accounting policies adopted in the preparation of these financial statements:

2 Accounting policies

Basis of preparation

These financial statements have been prepared in compliance with the International Financial Reporting Standards. The financial statements have been prepared under the historical cost convention, as modified by the presentation of certain long-term assets at their valuation.

These financial statements are prepared as of and for the six months period ended 30 June 2007 and 2006 and as of 31 December 2006. Current and comparative data are presented in Euros unless otherwise stated.

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 Company’s “functional currency”. These financial statements are presented in Euros, which is “presentation currency” of the Company’s ultimate Parent.

Foreign currency translation (continued)

Functional and presentation currency (continued)

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

- (i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- (ii) Income and expenses for each income statement are translated at average exchange rates, and
- (iii) Resulting exchange differences are recognised as financial income or expense, respectively, in each income statement 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 Income as financial income or expenses in the period in which they arose. The middle exchange rates used for conversion of the balance sheet items denominated in foreign currencies are as follows:

	30 June 2007	30 June 2006	31 December 2006
1 USD	45.0673 Denars	48.8260 Denars	46.4496 Denars
1 EUR	61.1692 Denars	61.1741 Denars	61.1741 Denars

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 income statement 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	10 years
Equipment and motor vehicles	4 – 5 years

Where an asset's carrying amount is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal or retirement are determined by comparing the disposal proceeds with the carrying amount and are included in operating profit.

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.

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 income statement 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 income statement as an expense as incurred. Capitalized development expenditure is stated at cost less accumulated amortization and impairment losses. Amortization is charged to the income statement 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.

Impairment of long - lived assets

Property, plant and equipment and other non-current assets, including intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in income. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit.

Investments

Investments include available-for-sale equity securities, the classification of which is determined at the time of their purchase. These are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity.

Investments are initially recognized at cost, including transaction costs. Subsequently they are carried at fair value based on quoted bid prices. Unrealized gains and losses arising from changes in the fair value are recognized in equity. Equity securities for which fair values cannot be measured reliably are recognized at cost less impairment.

When available – for – sale securities are sold or impaired, the related accumulated fair value adjustments are included in the income statement as gains and losses from investment securities. A financial assets is impaired if its carrying amount is greater than its estimated recoverable amount. At each balance sheet date the Company reviews the carrying amounts of its investment securities available for sale to determine whether there is any indication that those assets have suffered an impairment loss.

Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. Cost of supplies and spare parts are determined using the weighted average method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Cost of manufactured inventories and work in progress includes an appropriate share of overheads based on normal operating capacity.

Trade and other receivables

Trade and other receivables, including advances to suppliers and other current receivables are carried at the nominal value as reduced by the provision made for their impairment. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to their original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount.

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks.

Share capital

- (1) Ordinary shares and preference shares with discretionary dividends are classified as equity.
- (2) Incremental external costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.
- (3) 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.

Borrowings

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at their amortised cost.

Income taxes

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

The tax currently payable is calculated and paid in accordance with the Macedonian Tax Law. Final taxes on profit of 12% are payable based on the annual profit shown in the statutory statement of income as adjusted for items, which are non-assessable or disallowed. According to the changes in the tax legislation adopted during 2001, legal entities may use the tax losses of the current period either to recover tax paid within a specific carry-back period or to reduce or eliminate tax to be paid in future periods.

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 rate of 15% is 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 equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit, against which the temporary differences can be utilized, will be available.

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 three month's average salary according to the related local provisions. No provision has been made at the balance sheet date in respect of this post – retirement obligations, since that amount would not have a material effect on the financial statements.

Provisions

A provision is recognised 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 balance sheet 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.

Revenue recognition

Revenue comprises the fair value for the sale of goods and services, net of value – added tax and discounts. Revenue is recognised as follows:

Sales of goods – wholesale - Sales of goods are recognised when the products are delivered to the customer, the customer has accepted the products and collectibility of related receivables are reasonably assured.

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.

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.

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.

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 balance sheet date and a reasonable estimate of the amount of the resulting loss can be made.

Subsequent events

Post-year-end events that provide additional information about a company's position at the balance sheet 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

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.

Market risk

Foreign exchange risk. The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Euro. The Company does not use any instrument to hedge the foreign exchange risk. The Company's Treasury is responsible to maintain adequate net position in each currency and in total and its operations are daily monitored by the Company's management.

Price risk. The Company is exposed to equity securities price risk because of investments held and classified in the balance sheet as available – for – sale at fair value through profit and loss. The Company is not exposed to commodity price risk.

Credit risk

The Company has no significant concentration of credit risk. 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's maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, then, availability of funds through adequate credit facilities and ability to collect timely, within the terms established the amounts due from the customers. Due to the dynamic nature of the Company's business, the management aims to maintain flexible funds by keeping committed credit lines available.

Cash flow and fair value interest rate risk

The Company takes on exposure to effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. 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. There is significant concentration of interest – bearing funds borrowed from the local financial institutions at the balance sheet date. Fluctuations in market interest rates under which, the funds are borrowed could have adverse effect over the Company's financial performance. At the same time, the Company has no significant placements of its assets in time deposits and highly liquid securities, bearing additional interest income.

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 balance sheet date. The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

4 Property, plant and equipment

	Land & Buildings	Machinery & equipment	Construct.in progress	Total
At 01 January 2007				
Cost or Valuation	4,893,198	15,033,764	416,631	20,343,593
Accumulated Depreciation	(1,093,306)	(6,250,684)	-	(7,343,990)
Net Carrying Amount	3,799,892	8,783,080	416,631	12,999,603
Six months period ended 30 June 2007				
Opening Net Carrying Amount	3,799,892	8,783,080	416,631	12,999,603
Translation differences	304	698	23	1,025
Additions, net of transfers from C.I.P.	58,262	247,009	(233,654)	71,617
Disposals	(42,471)	(1,062)	-	(43,533)
Depreciation charge for the year	(53,750)	(377,838)	-	(431,588)
Closing Carrying Amount	3,762,237	8,651,887	183,000	12,597,124
At 30 June 2007				
Cost or Valuation	4,908,385	15,280,877	183,000	20,372,262
Accumulated Depreciation	(1,146,148)	(6,628,990)	-	(7,775,138)
Net Carrying Amount	3,762,237	8,651,887	183,000	12,597,124

At 30 June 2007 and 31 December 2006, there are no items of Company's property pledged to secure funds borrowed from financial institutions. All buildings and equipment are used for Company's own business activities.

5 Intangible assets

At 30 June 2007 and 31 December 2006, intangible assets, the net carrying value of which amounts 706,728 Euros (2006: 884,214 Euros), consist entirely of research and development costs.

Total depreciation charge for the six - month period ended 30 June 2007 amounts 177,549 Euros.

6 Available – for – sale investments

	30 June 2007	31 December 2006
Interest in share capital of foreign non - listed entities		
- Kosmos Building Materials Shangai Co, China (USD 1,970,000)	1,670,154	1,670,020
	1,670,154	1,670,020

At 30 June 2007 and 31 December 2006, the Company holds 51% interest of the investee's equity. The change in the carrying value of this investment, amounting 134 Euros, relates to translation differences.

7 Inventories

	30 June 2007	31 December 2006
Raw materials	158,184	194,347
Spare parts	421,519	428,367
Non-finished products	5,309,126	5,254,773
Finished products	7,488	4,806
Trade goods	57,431	67,202
Other	13,634	17,197
	5,967,382	5,966,692

8 Trade and other receivables

	30 June 2007	31 December 2006
Trade receivables		
Local debtors	553,563	594,925
Foreign debtors	8,818,147	9,142,578
Related party's receivables	7,004,996	6,425,677
	16,376,706	16,163,180
Prepayments		
Prepaid VAT	32,925	141,301
Overpaid income tax	-	105,993
Advances to suppliers	72,684	58,440
	105,609	305,734
Other current receivables		
Advances to and receivables from employees	5,607	4,888
Other sundry receivables	23,361	40,082
	28,968	44,970
	16,511,283	16,513,884
Less: provision for impairment	(97,827)	(97,819)
Receivables and prepayments, net	16,413,456	16,416,065

9 Cash and cash equivalents

	30 June 2007	31 December 2006
Bank accounts	12,604	850
Cash on hand	1,292	1,095
	13,896	1,945

10 Shareholders' equity

Shares issued

	Number of shares	Ordinary shares (Euros)	Share premium (Euros)	Total (Euros)
<i>Authorized, issued and fully paid ordinary shares Eur. 1 at par</i>				
At 30 June 2007 and 31 December 2006	4,686,858	4,686,858	4,158,313	8,845,171

The Company's share capital structure is as follows (amounts in Eur):

	Number	Amount	%
At 30 June 2007 and 31 December 2006			
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

Revaluation surplus

Revaluation surplus, which at 30 June 2007 and 31 December 2006 amounts Eur 2,113,574 was initially created during 2002, based upon the independent valuation of groups of Company's property, plant and equipment.

Reserves

Reserves, which at 30 June 2007 31 December 2006 amounts Eur 7,310,137, 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. Until the required minimum level is reached, reserves can be used only for covering of losses from operations, after which, the amounts in excess of the minimum required level, upon Company's Assembly decision, can be distributed for dividends to the shareholders and/or for purchase of its own shares.

11 Borrowings

	30 June 2007	31 December 2006
<u>Long – term interest bearing loans from banks</u>		
Komercijalna Banka ad, Skopje (Eur.2,200,000; 6m.eurib.+3.5%)	2,000,010	2,500,012
Komercijalna Banka ad, Skopje (Eur.2,000,000; 6m.eurib.+3.5%)	1,478,260	1,999,997
Komercijalna Banka ad, Skopje (Eur.5,000,000; 6m.eurib.+3.5%)	3,499,997	3,999,993
	6,978,267	8,500,002
<u>Short – term interest bearing loans from banks</u>		
Stopanska Banka ad, Skopje (eur.3,500,000; 6m.eurib.+5.25%)	52,200	52,195
Komercijalna Banka ad, Skopje (den.25,000,000; 8.5%)	-	58,375
Komercijalna Banka ad, Skopje (den.30,000,000; 8.5%)	-	245,202
Komercijalna Banka ad, Skopje (den.15,000,000; 8%)	228,873	-
Eurostandard Banka ad. Skopje (den. 153,000,000; 9%)	2,501,259	-
Stoun trejd dooel Skopje (den.1,068,321; non interest)	15,400	-
	2,797,732	355,772

The loan repayment schedule is as follows:

Failing due within 1 – 2 years	8,275,996	5,355,780
Failing due within 2 – 5 years	1,500,003	3,499,994
	9,775,999	8,855,774

12 Trade and other payables

	30 June 2007	31 December 2006
Trade creditors		
Local suppliers	978,581	869,110
Foreign suppliers	319,818	331,071
Related party's payables	-	-
	1,298,399	1,200,181
Other current liabilities		
Dividends payables (net of local takses)	328,499	2,512,697
Liabilities to employees and management	294,331	253,425
Interest payable	61,207	55,040
Customers' prepayments	88,378	62,200
Other	218,329	290,368
	990,744	3,173,730
	2,289,143	4,373,911

13 Sales

	Six months period ended 30 June 2007	2006
Local market	365,136	572,398
Foreign markets:		
- Greece and Cyprus	4,930,401	4,692,699
- Other markets	310,209	1,577,259
	5,240,610	6,269,958
	5,605,746	6,842,356

14 Cost of sales

	Six months period ended 30 June 2007	2006
<i>Finished products and work in progress</i>		
Balance, at 01 January	5,259,769	5,554,646
Add: Total production for the period	3,432,584	4,746,012
Less: Balance, at 30 June	(5,316,396)	(5,500,213)
Cost of sales	3,375,957	4,800,445

15 Administrative and selling expenses

	Six months period ended 30 June 2007	2006
Materials, supplies and utilities	39,316	43,105
Depreciation	121,968	126,766
Staff costs	126,088	120,227
Services	54,290	94,711
Customers' discounts	-	108,686
Marketing and promotion	9,563	59,582
Taxes and other levies	32,858	19,942
Net carrying amount of properties sold	43,533	-
Allowance for bad debts	16	-
Other expenses	160,875	162,678
	588,507	735,697

16 Other operating income

	Six months period ended 30 June	
	2007	2006
Gains on securities sold	-	403,851
Raw materials sold	20,549	84,233
Income from rents	18,097	18,095
Income from tangible assets sold	38,367	-
Other income	6,130	13,584
	83,143	519,763

17 Staff costs

	Six months period ended 30 June	
	2007	2006
Net salaries	714,611	706,715
Personal tax and mandatory contributions	453,707	485,435
Other allowances	137,629	136,132
	1,305,947	1,328,282

18 Financial (charges), net

	Six months period ended 30 June	
	2007	2006
<u>Income</u>		
Interest income	10,381	280,960
Foreign exchange gains / (losses) and translation differences, net	21,337	7,155
<u>Expense</u>		
Interest (expense)	(420,341)	(579,198)
Bank (charges)	(42,193)	(47,355)
Financial (charges), net	(430,816)	(338,438)

19 Income tax expense

	Six months period ended 30 June	
	2007	2006
Current tax expense	158,194	64,944
Deferred tax expense / (benefit)	-	-
	158,194	64,944

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

	Six months period ended 30 June	
	2007	2006
Profit before tax	1,284,609	1,487,539
Tax at rate of 15% (2006: 12%)	154,153	223,131
<i>Adjusted for:</i>		
Origination and reversal of temporary differences	-	-
Non – deductible charges	-	-
Non – taxable income	-	-
Re – invested profits from prior periods	-	-
Prepaid income tax carried forward	4,041	(158,187)
Tax charge	158,194	64,944

20 Related party transactions

Balances and transactions with related parties

The Company has related party transactions with its parent during the normal course of business activities. All these transactions were carried out on commercial terms and conditions and at market prices.

The table bellow provides for the volume and balances from the related party transactions as of and for the six months period ended 30 June 2007 and as of and for the year ended 31 December 2006.

	At 30 June 2007 / 31 December 2006		Six months period ended 30 June	
	Receivables	Payables	Revenues	Purchases
FHL Manufacturing & Trading Co, I.Kyriakidis Granites & Marbles SA.				
- 2007	6,821,243	-	4,930,188	876,059
- 2006	6,425,677	-	4,479,000	1,070,553

21 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 months period ended 30 June	
	2007	2006
Profit attributable to equity holders of the Company	1,135,415	1,422,595
Weighted average number of ordinary shares (in thousands)	4,687	4,687
Basic earnings per share (Euros per share)	0,24	0.30

22 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 in the amount of Denar 30 thousand per square kilometer or in total for all agreements in the amount of Denar 210,000 thousands, and
- Concession fee at 0.2% from the total value of quantities sold, according to the Methodology determined by the Ministry of Economy.