

**Construction Company  
GRANIT AD Skopje**

**INDEPENDENT AUDITOR'S REPORT  
AND  
SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING  
31 DECEMBER 2015**

**Skopje, May 2016**

*These reports are translation from the official ones issued in Macedonian language*

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**INDEPENDENT AUDITOR'S REPORT  
TO THE  
SHAREHOLDERS OF  
Construction Company  
GRANIT AD - Skopje**

**Report on the Separate Financial Statements**

We have audited the accompanying separate financial statements of Construction Company GRANIT AD - Skopje (The Company), which comprise Statement of Financial Position as at 31 December 2015, and the Income Statement, Statement of Comprehensive Income, Statement of changes in equity and Cash flow statement for the period then ended, and a summary of significant accounting policies and other explanatory notes.

*Management's Responsibility for the Separate Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting standards which are accepted in the Republic of Macedonia and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Audit Law and the International Standards on Auditing which are accepted in the Republic of Macedonia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the 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.

**INDEPENDENT AUDITOR'S REPORT (Continued)  
TO THE  
SHAREHOLDERS OF  
Construction Company  
GRANIT AD - Skopje**

*Opinion*

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of Construction Company GRANIT AD - Skopje as of 31 December 2015, and of its financial performance and its cash flows for the period then ended in accordance with the accounting standards which are accepted in the Republic of Macedonia.

**Report on Other Legal or Regulatory Requirements**

The management of the Company is also responsible for preparation of the annual business report according to the article 384 from the Law on trade companies. Our responsibility, according to the Audit Law, is to report whether the annual business report is consistent with the annual accounts and the financial statements for the year ended 31 December 2015. Our job regarding the annual business report is conducted according to the ISA 720 and is restricted to reporting whether the historical financial information presented in the annual business report are consistent to the annual accounts and the audited financial statements.

The annual business report is consistent, in all material aspects, with the annual account and the audited separate financial statements of Construction Company GRANIT AD - Skopje as of 31 December 2015.

Skopje, 11 May 2016

**Certified Auditor**

Goce Hristov

**Manager and Certified Auditor**

Antonio Veljanov

**Construction Company GRANIT AD - Skopje**  
**INCOME STATEMENT for the year ended at 31 December**

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	<b>Note</b>	<b>2015</b> <b>(000) MKD</b>	<b>2014</b> <b>(000) MKD</b>
Revenues from construction works	8	3,254,233	2,884,030
Other operating income	9	626,370	922,340
Changes in inventories of finished goods and work in progress		27,568	(64,502)
Raw materials used	10	(919,433)	(958,732)
Employees expenses	11	(790,309)	(691,562)
Depreciation		(307,100)	(252,653)
Expenses for subcontractors		(1,061,336)	(930,609)
Other operating expenses	12	<u>(749,181)</u>	<u>(727,796)</u>
<b>OPERATING PROFIT (LOSS)</b>		<b>80,812</b>	<b>180,516</b>
Financing income	13	92,387	66,600
Income (loss) from investments	14	82,171	4,928
Financing expenses	15	<u>(15,485)</u>	<u>(36,891)</u>
<b>PROFIT BEFORE TAXATION</b>		<b>239,885</b>	<b>215,153</b>
Income tax expense	18	(19,970)	(26,993)
<b>NET PROFIT FOR THE PERIOD</b>		<u><b>219,915</b></u>	<u><b>188,160</b></u>
<b>Basic earnings per share (In MKD)</b>	16	<u><b>75</b></u>	<u><b>64</b></u>

Skopje, 10 May 2016

**For the Steering Committee  
President**

**Straso Milkovski**

Construction Company GRANIT AD - Skopje  
**STATEMENT OF COMPREHENSIVE INCOME** for the year ended at 31 December

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	<b>Note</b>	<b>2015 (000) MKD</b>	<b>2014 (000) MKD</b>
<b>Net profit for the year</b>		<b>219,915</b>	<b>188,160</b>
<b>Other comprehensive income:</b>			
Revaluation of PPE		-	-
Fair value movement of available-for-sale investments		-	-
Currency translation differences		-	-
<b>Total other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>219,915</b>	<b>188,160</b>

**Construction Company GRANIT AD - Skopje**  
**STATEMENT OF FINANCIAL POSITION as at 31 December**

	Note	2015 (000) MKD	2014 (000) MKD
<b>ASSETS</b>			
Cash and cash equivalents	19	247,975	179,336
Bank deposits	23	-	814,200
Trade receivables	20	1,763,716	2,106,410
Receivables for advances	21	274,356	159,247
Short-term loans	22	16,058	26,513
Other short term assets	24	311,781	80,484
Inventories	25	1,087,076	974,049
<b>Total current assets</b>		<b>3,700,962</b>	<b>4,340,239</b>
Investments in subsidiaries and associates	26	25,930	25,930
Investments available-for-sale	27	-	-
Long-term loans	28	201,155	201,168
Intangible assets	29	9,696	17,482
Property, plant and equipment	30	2,971,213	2,672,435
<b>Total non-current assets</b>		<b>3,207,994</b>	<b>2,917,015</b>
<b>TOTAL ASSETS</b>		<b>6,908,956</b>	<b>7,257,254</b>
<b>LIABILITIES AND EQUITY</b>			
Trade payables	31	1,085,161	1,429,603
Payables for advances	32	1,029,534	966,219
Short-term borrowings	33	10,000	129,296
Current portion of long-term borrowings	34	16,427	30,226
Other short-term liabilities and accruals	35	186,776	182,361
<b>Total current liabilities</b>		<b>2,327,898</b>	<b>2,737,705</b>
Long-term borrowings	36	5,820	18,873
Provision for litigation claims	37c	179,293	179,570
<b>Total non current liabilities</b>		<b>185,113</b>	<b>198,443</b>
<b>Total liabilities</b>		<b>2,513,011</b>	<b>2,936,148</b>
Shareholders capital		932,367	932,367
Treasury shares		(148,097)	(62,164)
Share premium		51,895	51,895
Legal reserves		1,671,193	1,542,175
Revaluation reserves		13,055	13,055
Retained earnings		1,875,532	1,843,778
<b>TOTAL EQUITY</b>		<b>4,395,945</b>	<b>4,321,106</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>6,908,956</b>	<b>7,257,254</b>

**Construction Company GRANIT AD - Skopje**  
**CASH FLOW STATEMENT for the year ended at 31 December**

	Note	2015 (000) MKD	2014 (000) MKD
<b>Cash flows from operating activities</b>			
<b>PROFIT (LOSS) BEFORE TAXES</b>		<b>239,885</b>	<b>215,153</b>
<b>Adjusted for:</b>			
Depreciation	30	302,703	247,807
Amortization of intangible assets	29	4,397	4,846
Provision on bad receivables	12	47,783	63,918
Provision on bad inventories		-	21,068
Write off of interest		1,954	4,118
Write off of investment		-	649
Interest income (expenses), net	13;15	(24,102)	(2,879)
Provision for litigation claims	9;12	(276)	5,185
Income from write-off payables		-	(294,044)
Other reconciliation in fixed assets		(11,041)	2,509
Gain from disposal of securities		-	-
Carrying amount of disposed assets		3,131	4,700
Gain from disposal of PPE	9	(67,829)	(25,669)
<b>Profit (loss) before changes in current assets</b>		<b>496,605</b>	<b>247,361</b>
Trade receivables		274,335	1,491,872
Receivables for advances		(115,109)	(109,063)
Other short term assets and prepaid expenses		(225,697)	(56,414)
Inventories		(113,027)	(115,418)
Trade payables		(344,442)	(982,392)
Payables for advances		63,315	860,337
Other short -term liabilities and accruals		17,717	(137,805)
<b>Net cash used in operations</b>		<b>53,697</b>	<b>1,198,478</b>
Interest paid		(5,281)	(28,446)
Income tax paid		(46,837)	(3,624)
<b>Net cash flows from operating activities</b>		<b>1,579</b>	<b>1,166,408</b>
<b>Cash flows from investing activities</b>			
Disposal of securities		-	-
Bank deposits, net	23	814,200	(814,200)
Received dividends	0	20,576	-
Received interest	13	37,884	29,269
Collected (given) loans	28	13	13,891
Acquisition of intangible assets	29	(4,299)	(12,884)
Acquisition of PPE	30	(706,284)	(633,709)
Proceeds from deposed PPE	30	188,229	228,616
<b>Net cash flows from investment activities</b>		<b>350,319</b>	<b>(1,189,017)</b>

(Continued)



**Construction Company GRANIT AD - Skopje**  
**CASH FLOW STATEMENT for the year ended at 31 December (Continued)**

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	<b>Note</b>	<b>2015</b> <b>(000) MKD</b>	<b>2014</b> <b>(000) MKD</b>
<b>Cash flows from financing activities</b>			
Proceeds (repayment) of long-term borrowings	36	(26,852)	(55,814)
Proceeds (repayment) of short-term borrowings	33	(119,296)	(58,938)
Acquired treasury shares		(85,933)	-
Dividends paid		(45,728)	(45,196)
Rewards paid		(5,450)	(18,722)
<b>Net cash flows from financing activities</b>		<b>(283,259)</b>	<b>(178,670)</b>
<b>Net increase (decrease) of cash and cash equivalents</b>		<b>68,639</b>	<b>(201,279)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>19</b>	<b>179,336</b>	<b>367,965</b>
<b>Cash and cash equivalents from merging of subsidiary</b>		<b>-</b>	<b>12,650</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>19</b>	<b>247,975</b>	<b>179,336</b>

Construction Company GRANIT AD - Skopje  
**STATEMENT OF CHANGES IN EQUITY** for the year ended at 31 December

	Ordinary shares		Treasury shares		Share premium	Reserves (legal and from reinvested income)	Reserves for treasury shares	Revaluati on reserve	Retained earnings	Total equity
	Number of shares	Amount	Number of shares	Amount						
In (000) MKD										
a) Changes in 2014										
Balance as at 01.01.2014	3,071,377	932,367	(125,037)	(62,164)	51,895	1,477,992	62,164	13,051	1,628,515	4,103,820
<b>Comprehensive income:</b>										
Profit for the period	-	-	-	-	-	-	-	-	188,160	188,160
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-	-	<b>188,160</b>	<b>188,160</b>
<b>Transactions with owners:</b>										
Share issue	-	-	-	-	-	-	-	-	-	-
Merging of subsidiary Gamatroniks DOOEL	-	-	-	-	-	2,019	-	4	96,466	98,489
Distribution for reserves	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	(47,141)	(47,141)
Rewards to management	-	-	-	-	-	-	-	-	(22,222)	(22,222)
Balance as at 31.12.2014	<b>3,071,377</b>	<b>932,367</b>	<b>(125,037)</b>	<b>(62,164)</b>	<b>51,895</b>	<b>1,480,011</b>	<b>62,164</b>	<b>13,055</b>	<b>1,843,778</b>	<b>4,321,106</b>

(Continued)

Construction Company GRANIT AD - Skopje  
**STATEMENT OF CHANGES IN EQUITY for the year ended at 31 December (Continued)**

	Ordinary shares		Treasury shares		Share premium	Reserves (legal and from reinvested income)	Reserves for treasury shares	Revaluation reserve	Retained earnings	Total equity
	Number of shares	Amount	Number of shares	Amount						
In (000) MKD										
b) Changes in 2015										
Balance as at 01.01.2015	3,071,377	932,367	(125,037)	(62,164)	51,895	1,480,011	62,164	13,055	1,843,778	4,321,106
<b>Comprehensive income:</b>										
Profit for the period	-	-	-	-	-	-	-	-	219,915	219,915
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-	-	<b>219,915</b>	<b>219,915</b>
<b>Transactions with owners:</b>										
Share issue	-	-	-	-	-	-	-	-	-	-
Acquired treasury shares	-	-	(176,136)	(85,933)	-	-	-	-	-	(85,933)
Distribution for reserves	-	-	-	-	-	129,018	-	-	(129,018)	-
Dividends	-	-	-	-	-	-	-	-	(47,143)	(47,143)
Rewards to management	-	-	-	-	-	-	-	-	(12,000)	(12,000)
<b>Balance as at 31.12.2015</b>	<b>3,071,377</b>	<b>932,367</b>	<b>(301,173)</b>	<b>(148,097)</b>	<b>51,895</b>	<b>1,609,029</b>	<b>62,164</b>	<b>13,055</b>	<b>1,875,532</b>	<b>4,395,945</b>

Notes comprise an integral part of the Financial Statements  
Auditors report is on pages 1 and 2