

**Construction Company
GRANIT AD Skopje**

**INDEPENDENT AUDITOR'S REPORT
AND
SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDING
31 DECEMBER 2016**

Skopje, May 2017

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 2016, 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 and published in the Official gazette of the Republic of Macedonia (79/2010). 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 2016, 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 2016. 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 2016.

Skopje, 16 May 2017

Certified Auditor

Goce Hristov

Manager and Certified Auditor

Antonio Veljanov

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

	Note	2016 (000) MKD	2015 (000) MKD
Revenues from construction works	8	3,728,713	3,254,233
Other operating income	9	842,772	708,541
Changes in inventories of finished goods and work in progress		(42,956)	27,568
Raw materials used	10	(955,555)	(919,433)
Employees expenses	11	(892,577)	(790,309)
Depreciation		(334,734)	(307,100)
Expenses for subcontractors		(1,302,510)	(1,061,336)
Other operating expenses	12	<u>(867,685)</u>	<u>(749,181)</u>
OPERATING PROFIT (LOSS)		175,468	162,983
Financing income	13	55,043	92,387
Income (loss) from investments	14	30,772	-
Financing expenses	15	<u>(22,745)</u>	<u>(15,485)</u>
PROFIT BEFORE TAXATION		238,538	239,885
Income tax expense	18	(4,510)	(19,970)
NET PROFIT FOR THE PERIOD		<u>234,028</u>	<u>219,915</u>
Basic earnings per share (In MKD)	16	<u>84</u>	<u>75</u>

Skopje, 15 May 2017

**For the Steering Committee
President**

Straso Milkovski

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

	Note	2016 (000) MKD	2015 (000) MKD
Net profit for the year		234,028	219,915
Other comprehensive income:			
Revaluation of PPE		-	-
Fair value movement of available-for-sale investments		-	-
Currency translation differences		-	-
Total other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		234,028	219,915

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

	Note	2016 (000) MKD	2015 (000) MKD
ASSETS			
Cash and cash equivalents	19	282,960	247,975
Investments for trading at fair value	26	6,775	-
Trade receivables	20	1,787,840	1,763,716
Receivables for advances	21	180,562	274,356
Short-term loans	22	23,813	16,058
Other short term assets	23	398,525	311,781
Inventories	24	1,290,687	1,087,076
Total current assets		3,971,162	3,700,962
Investments in subsidiaries and associates	25	25,930	25,930
Long-term loans	27	198,896	201,155
Intangible assets	28	13,673	9,696
Property, plant and equipment	29	2,952,432	2,971,213
Total non-current assets		3,190,931	3,207,994
TOTAL ASSETS		7,162,093	6,908,956
LIABILITIES AND EQUITY			
Trade payables	30	1,269,549	1,085,161
Payables for advances	31	888,888	1,029,534
Short-term borrowings	32	-	10,000
Current portion of long-term borrowings	33	6,368	16,427
Other short-term liabilities and accruals	34	221,442	186,776
Total current liabilities		2,386,247	2,327,898
Long-term borrowings	35	-	5,820
Provision for litigation claims	36c	228,426	179,293
Total non current liabilities		228,426	185,113
Total liabilities		2,614,673	2,513,011
Shareholders capital		932,367	932,367
Treasury shares		(148,097)	(148,097)
Share premium		51,895	51,895
Legal reserves		1,808,555	1,671,193
Revaluation reserves		13,055	13,055
Retained earnings		1,889,645	1,875,532
TOTAL EQUITY		4,547,420	4,395,945
TOTAL LIABILITIES AND EQUITY		7,162,093	6,908,956

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

	Note	2016 (000) MKD	2015 (000) MKD
Cash flows from operating activities			
PROFIT (LOSS) BEFORE TAXES		238,538	239,885
Adjusted for:			
Depreciation	29	330,237	302,703
Amortization of intangible assets	28	4,497	4,397
Provision on bad receivables	12	216,341	47,783
Provision on bad inventories		(4,754)	-
Write off of interest		1,900	1,954
Write off of investment		(75)	-
Interest income (expenses), net	13;15	(32,243)	(24,102)
Provision for litigation claims	9;12	49,133	(276)
Income from write-off payables		-	-
Other reconciliation in fixed assets		1,627	(11,041)
Gain from disposal of securities		(30,847)	-
Carrying amount of disposed assets		2,006	3,131
Gain from disposal of PPE	9	(8,007)	(67,829)
Profit (loss) before changes in current assets		768,353	496,605
Trade receivables		(241,331)	274,335
Receivables for advances		93,794	(115,109)
Other short term assets and prepaid expenses		(70,022)	(225,697)
Inventories		(198,857)	(113,027)
Trade payables		184,388	(344,442)
Payables for advances		(140,646)	63,315
Other short -term liabilities and accruals		28,694	17,717
Net cash used in operations		424,373	53,697
Interest paid		(14,225)	(5,281)
Income tax paid		(11,706)	(46,837)
Net cash flows from operating activities		398,442	1,579
Cash flows from investing activities			
Disposal of securities		(6,700)	-
Disposal of investemnts in subsidiaries		30,847	-
Bank deposits, net		-	814,200
Received dividends		866	20,576
Received interest	13	36,813	37,884
Collected (given) loans	27	2,259	13
Acquisition of intangible assets	28	(8,474)	(4,299)
Acquisition of PPE	29	(356,843)	(706,284)
Proceeds from deposed PPE	29	49,761	188,229
Net cash flows from investment activities		(251,471)	350,319

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

	Note	2016 (000) MKD	2015 (000) MKD
Cash flows from financing activities			
Proceeds (repayment) of long-term borrowings	35	(15,879)	(26,852)
Proceeds (repayment) of short-term borrowings	32	(10,000)	(119,296)
Acquired treasury shares		-	(85,933)
Dividends paid		(59,782)	(45,728)
Rewards paid		(26,325)	(5,450)
Net cash flows from financing activities		(111,986)	(283,259)
Net increase (decrease) of cash and cash equivalents		34,985	68,639
Cash and cash equivalents at the beginning of the year	19	247,975	179,336
Cash and cash equivalents from merging of subsidiary		-	-
Cash and cash equivalents at the end of the year	19	282,960	247,975

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 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
Comprehensive income:										
Profit for the period	-	-	-	-	-	-	-	-	219,915	219,915
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	219,915	219,915
Transactions with owners:										
Share issue	-	-	-	-	-	-	-	-	-	-
Merging of subsidiary Gamatroniks DOOEL	-	-	(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)
Balance as at 31.12.2015	3,071,377	932,367	(301,173)	(148,097)	51,895	1,609,029	62,164	13,055	1,875,532	4,395,945

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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 2016										
Balance as at 01.01.2016	3,071,377	932,367	(301,173)	(148,097)	51,895	1,609,029	62,164	13,055	1,875,532	4,395,945
Comprehensive income:										
Profit for the period	-	-	-	-	-	-	-	-	234,028	234,028
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	234,028	234,028
Transactions with owners:										
Share issue	-	-	-	-	-	-	-	-	-	-
Acquired treasury shares	-	-	-	-	-	-	-	-	-	-
Distribution for reserves	-	-	-	-	-	137,362	-	-	(137,362)	-
Dividends	-	-	-	-	-	-	-	-	(61,553)	(61,553)
Rewards to management	-	-	-	-	-	-	-	-	(21,000)	(21,000)
Balance as at 31.12.2016	3,071,377	932,367	(301,173)	(148,097)	51,895	1,746,391	62,164	13,055	1,889,645	4,547,420

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