

**Construction Company
GRANIT AD Skopje**

**INDEPENDENT AUDITOR'S REPORT
AND
SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDING
31 DECEMBER 2018**

Skopje, May 2019

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

Contents	Page
Independent Auditor's Report	1-2
Separate Financial Statements	
Income Statement	3
Statement of comprehensive income	4
Statement of financial position	5
Cash flow statement	6-7
Statement of changes in equity	8-9
Notes to the financial statements	10 - 45

**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 2018, 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 2018, 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 2018. 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 2018.

Skopje, 17 May 2019

Certified Auditor

Antonio Veljanov

Manager and Certified Auditor

Antonio Veljanov

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

	Note	2018 (000) MKD	2017 (000) MKD
Revenues from construction works	8	3,127,076	3,964,156
Other operating income	9	661,497	640,652
Changes in inventories of finished goods and work in progress		18,753	1,315
Raw materials used	10	(895,152)	(985,138)
Employees expenses	11	(868,560)	(926,227)
Depreciation		(184,150)	(340,883)
Expenses for subcontractors		(1,139,519)	(1,496,419)
Other operating expenses	12	<u>(568,002)</u>	<u>(628,894)</u>
OPERATING PROFIT (LOSS)		151,943	228,562
Financing income	13	25,489	22,514
Income (loss) from investments	14	(77)	-
Financing expenses	15	<u>(19,820)</u>	<u>(32,171)</u>
PROFIT BEFORE TAXATION		157,535	218,905
Income tax expense	18	(1,778)	-
NET PROFIT FOR THE PERIOD		<u>155,757</u>	<u>218,905</u>
Basic earnings per share (In MKD)	16	<u>56</u>	<u>79</u>

Skopje, 15 March 2019

**For the Steering Committee
President**

Straso Milkovski

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

	Note	2018 (000) MKD	2017 (000) MKD
Net profit for the year		155,757	218,905
Other comprehensive income:			
Revaluation of PPE		-	-
Fair value movement of available-for-sale investments		146,952	-
Currency translation differences		-	-
Total other comprehensive income		146,952	-
TOTAL COMPREHENSIVE INCOME		302,709	218,905

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

	Note	2018 (000) MKD	2017 (000) MKD
ASSETS			
Cash and cash equivalents	19	230,571	438,016
Investments for trading at fair value	26	116,831	121,666
Trade receivables	20	1,505,432	1,374,976
Receivables for advances	21	328,044	573,212
Short-term loans	22	18,446	51,108
Other short term assets	23	571,777	539,563
Inventories	24	1,391,878	1,408,271
Total current assets		4,162,979	4,506,812
Investments in subsidiaries and associates	25	18,915	29,619
Investments available for sale	26	574,184	-
Long-term loans	27	198,896	198,896
Intangible assets	28	18,403	16,431
Property, plant and equipment	29	2,652,273	2,822,016
Total non-current assets		3,462,671	3,066,962
TOTAL ASSETS		7,625,650	7,573,774
LIABILITIES AND EQUITY			
Trade payables	30	1,227,238	1,239,842
Payables for advances	31	1,020,586	1,199,039
Short-term borrowings	32	63,927	28,912
Current portion of long-term borrowings	33	41,606	3,117
Other short-term liabilities and accruals	34	183,442	214,265
Total current liabilities		2,536,799	2,685,175
Long-term borrowings	35	192,500	-
Provision for litigation claims	36c	37,038	228,429
Total non current liabilities		229,538	228,429
Total liabilities		2,766,337	2,913,604
Shareholders capital		932,367	932,367
Treasury shares		(148,097)	(148,097)
Share premium		51,895	51,895
Legal reserves		2,054,357	1,939,018
Revaluation reserves		160,007	13,055
Retained earnings		1,808,784	1,871,932
TOTAL EQUITY		4,859,313	4,660,170
TOTAL LIABILITIES AND EQUITY		7,625,650	7,573,774

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

	Note	2018 (000) MKD	2017 (000) MKD
Cash flows from operating activities			
PROFIT (LOSS) BEFORE TAXES		157,535	218,905
Adjusted for:			
Depreciation	29	177,484	335,130
Amortization of intangible assets	28	6,665	5,753
Provision on bad receivables	12	34,049	67,988
Provision on bad inventories		3,556	3,331
Write off of interest		-	1,831
Write off of investment		(77)	-
Interest income (expenses), net	13;15	(12,806)	(19,152)
Dividend income		(88,396)	(238,593)
Provision for litigation claims, net	9;12	(191,391)	3
Income from write-off payables		(11,768)	(3,275)
Other reconciliation in fixed assets		-	(154)
Gain from disposal of securities		(1,913)	-
Carrying amount of disposed assets		477	646
Gain from disposal of PPE	9	(58,773)	(23,384)
Profit (loss) before changes in current assets		14,642	349,029
Trade receivables		(164,505)	426,226
Receivables for advances		245,168	(392,650)
Other short term assets and prepaid expenses		(7,341)	(109,235)
Inventories		12,837	(120,915)
Trade payables		(836)	(26,432)
Payables for advances		(178,453)	310,151
Other short -term liabilities and accruals		(5)	(31,833)
Net cash used in operations		(78,493)	404,341
Interest paid		(9,820)	(1,467)
Income tax paid		(5,537)	(16,567)
Net cash flows from operating activities		(93,850)	386,307
Cash flows from investing activities			
Disposal of securities		4,912	(114,891)
Acquisition of investments available for sale		(427,232)	-
Acquired/disposed investments		2,366	-
Received dividends		43,652	153,554
Received interest and loans		55,288	(8,507)
Acquisition of intangible assets	28	(8,637)	(8,511)
Acquisition of PPE	29	(71,081)	(220,168)
Proceeds from deposed PPE	29	121,636	38,346
Net cash flows from investment activities		(279,096)	(160,177)

(Continued)

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

	Note	2018 (000) MKD	2017 (000) MKD
Cash flows from financing activities			
Proceeds (repayment) of long-term borrowings	35	230,989	(3,251)
Proceeds (repayment) of short-term borrowings	32	35,015	28,912
Acquired treasury shares		-	-
Dividends paid		(74,400)	(75,735)
Rewards paid		(26,103)	(21,000)
Net cash flows from financing activities		165,501	(71,074)
Net increase (decrease) of cash and cash equivalents		(207,445)	155,056
Cash and cash equivalents at the beginning of the year	19	438,016	282,960
Cash and cash equivalents at the end of the year	19	230,571	438,016

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 2017										
Balance as at 01.01.2017	3,071,377	932,367	(301,173)	(148,097)	51,895	1,746,391	62,164	13,055	1,889,645	4,547,420
Comprehensive income:										
Profit for the period	-	-	-	-	-	-	-	-	218,905	218,905
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	218,905	218,905
Transactions with owners:										
Share issue	-	-	-	-	-	-	-	-	-	-
Acquired treasury shares	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	(2,589)	(2,589)
Distribution for reserves	-	-	-	-	-	130,463	-	-	(130,463)	-
Dividends	-	-	-	-	-	-	-	-	(77,566)	(77,566)
Rewards to management	-	-	-	-	-	-	-	-	(26,000)	(26,000)
Balance as at 31.12.2017	3,071,377	932,367	(301,173)	(148,097)	51,895	1,876,854	62,164	13,055	1,871,932	4,660,170

(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 2018										
Balance as at 01.01.2018	3,071,377	932,367	(301,173)	(148,097)	51,895	1,876,854	62,164	13,055	1,871,932	4,660,170
Comprehensive income:										
Profit for the period	-	-	-	-	-	-	-	-	155,757	155,757
Fair value movement of available-for-sale investments	-	-	-	-	-	-	-	146,952	-	146,952
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	146,952	155,757	302,709
Transactions with owners:										
Share issue	-	-	-	-	-	-	-	-	-	-
Acquired treasury shares	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Distribution for reserves	-	-	-	-	-	115,339	-	-	(115,339)	-
Dividends	-	-	-	-	-	-	-	-	(77,566)	(77,566)
Rewards to management	-	-	-	-	-	-	-	-	(26,000)	(26,000)
Balance as at 31.12.2018	3,071,377	932,367	(301,173)	(148,097)	51,895	1,992,193	62,164	160,007	1,808,784	4,859,313

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