



# ANNUAL **REPPORT** 2012

kontakt.al

TO BUILD IS MORE THAN IT SEEMS. 2



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# CEO

## MESSAGE

### **Dear partners and clients,**

2012 was a challenging year for Kontakt. Our capital city is living a period where the construction boom is starting to calm down.

However the times may have been changing, Kontakt has always kept growing and has never lost focus on its main ideals which are bringing high quality works, innovation and raising standards on this society.

This year, after entirely selling the last residential complex we built, we immediately started moving forward and aiming for a higher level. Throughout 2012, we have been working with world-class architect Daniel Libeskind who designed our biggest project, Magnet. We also started AnA, our brand new project designed by the Dutch Architectural Studio, Cityfoerster.

In the meantime we have introduced in the Albanian market new innovative construction materials and techniques like the pavement i.idro.drain and the Photocatalytic Stucco by closely collaborating with Italcementi. We have also been working with the internationally known company Swarco Mizar on a project commissioned by the Municipality of Tirana that will improve the traffic in our city.

This very productive year will serve as an investment for our future and is only the beginning. By gaining new experiences and consolidating our place in the market as the continuing leader in quality and innovation, our future could not look brighter.

That is why we are confident when saying 2012 was a good and important year for us. It was a year of building foundations to a future of many new perspectives that not only guarantee our success, but also contribute to the Albanian market and society!

Yours sincerely,  
**Fatmir Bektashi**

# KONTAKT

## To build is more than it seems.

Our vision is to perform through improved quality and added value for a long term existence in the market.

### 2.2 Mission.

Our mission is to provide long-term quality and safety for our clients, excellent performance in our involvement in public works as well as create stable values for the company and attractive jobs for the employees.

This way, we play our role as a serious company, committed to social responsibility, aiming to further improve our standing in the future.

Our primary activity is to build residential complexes, with the best ratio of price and quality, easily affordable by customers. We have extended the competitiveness in the market and further increased our market share.

### 2.3 Targets and performance.

Our company's targets are modernizing the way of life of the Albanian society by bringing high quality and aesthetically pleasing residential buildings. Through this and the introduction of innovative techniques, we keep a constant first place in the market.

## 2.4 Strategy

The strategy of the company is highly visible in its slogan

BUILDING  
IS MORE  
THAN IT SEEMS

It is supported by reliable  
studies and development plans.





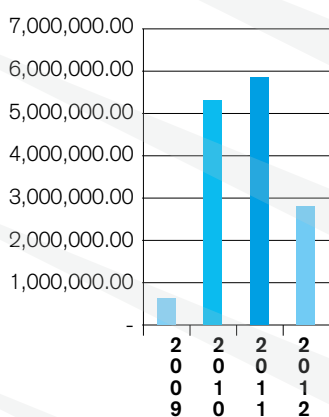
### We are focused on two essential areas:

high quality residential constructions, buildings of an industrial, social, and public character.

Even this last year, the income has been rather flexible, a positive performance fueled by a Cash In worth 4.2 000 000 Euros.

By persevering in our collaboration with third parties we have managed to cut in half our obligations towards our clients, and our obligations towards the suppliers are lowered down to 1.77 million Euros in 2011, and down to 0.6 million Euros in 2012.

#### INCOME IN THE LAST YEARS

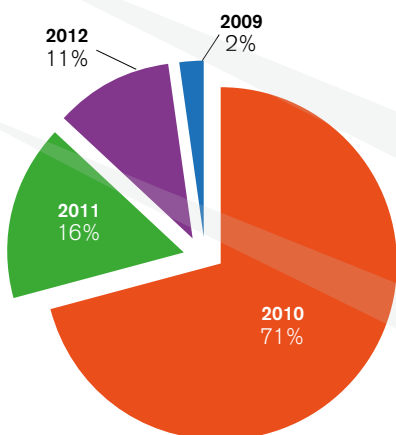


We owe no tax dept and thanks to the regeneration of cash from our activities, we have rescheduled our loan with the bank and today, the ratio between this loan and circulation is of 18%.

The EBIT of the company for the year 2012, amounted to 291 thousand Euros, while the EAT was 255 thousand euro.

The company has continued the growth strategy for its staff of employees, focusing on their selection.

Its revenue for the past 4 years has varied as the following graph shows:



### 2.5 Profit

For the year 2012, the net income before taxes was 291 000 Euros, which was through our residential buildings, road sings, leasing, subcontracting etc.

The profit sum from 2009 to 2012 is shown in this graph.





## 2.6 Financial Standings

The company has pursued a policy of progressive investments, revaluating and reducing their liabilities, as well as increasing the company's assets. During 2012 we have doubled the collection of taxes from customers, thus increasing the solvency and liquidation of liabilities. Therefore, for the period in question, duties towards the suppliers have decreased from 1.77 million Euros in 2011, to 0.86 million Euros in 2012.





## ASSET

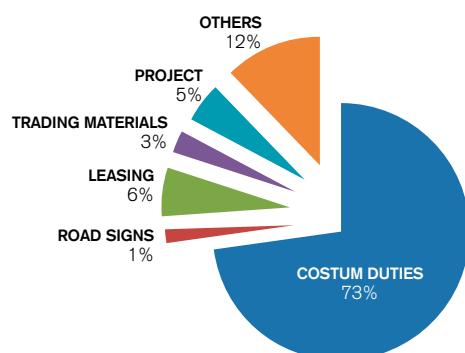
ASSET	Exercising in Euros	
	2012	2011
SHORT-TERM ASSETS	1,756,886	6,402,242
I. MONETARY MEANS	22,803	36,796
II. REQUEST TO DEBTORS FOR ENCASHMENT	1,497,185	3,640,626
a. <i>Clients for sales, services</i>	706,872	2,922,439
Accounts and other receivable requests	432,864	449,258
Prepayment and postponed investments	357,449	248,303
III. INVENTORY STATUS AND IN PROCESS	236,898	2,725,028
b. <i>First Materials and other materials</i>	236,032	238,216
c. <i>Productions, works, services in process</i>	0	2,485,946
d. <i>Other statuses of the inventory</i>	865	865
LONG-TERM ASSETS	1,322,214	601,482
I. INTANGIBLES	2,213	3,162
e. <i>Others in use</i>	2,213	3,162
II. TANGIBLES	1,320,001	598,320
a. <i>Lands, sites, terrains</i>	46,440	46,440
b. <i>Buildings</i>	1,019,031	217,696
c. <i>Technical installments, machinery, equipment, work tools.</i>	126,021	109,027
d. <i>Others in use</i>	54,231	87,071
e. <i>AA materials in process</i>	74,278	138,087
<b>TOTAL OF ASSETS</b>	<b>3,079,100</b>	<b>7,003,670</b>

## Liabilities 2.6.2

LIABILITY	Exercising in Euros	
	2012	2011
OBLIGATIONS		
<b>I. SHORT-TERM OBLIGATIONS</b>	<b>950,686</b>	<b>3,965,639</b>
a. Suppliers for purchases and services	857,636	1,767,051
b. Staff	4,614	6,310
c. Social insurances and similar of the state	1,652	4,390
d. Other short-term obligations	66,820	0
e. Receivable prepayments	19,964	2,187,887
<b>II LONG-TERM OBLIGATIONS</b>	<b>501,418</b>	<b>560,852</b>
Loan	501,418	557,425
Long-term loan	501,418	557,425
Grants and postponed income	0	3,427
TOTAL OF LIABILITIES	1,452,104	4,526,491
OWN CAPITALS		
<b>I FOUNDING CAPITAL, RESERVES.</b>	<b>1,626,996</b>	<b>2,477,040</b>
a. Subscribed capital	1,363,002	165,721
Legal funds	8,951	8,951
b. Profit destined for investment	1,911,521	
c. Profit or losses (Loss -)	255,043	390,985
<b>TOTAL OF LIABILITIES</b>	<b>3,079,100</b>	<b>7,003,670</b>

## 2.6.3 P&L Accounts

Income Structure in 2012



### Designation

### Fiscal Year

	2012	2011
Income	2,766,302	5,830,924
Direct Costs	(2,093,180)	(5,088,101)
Administrative Costs	(190,881)	(203,384)
Profit from Operations	482,241	569,439
Depreciation costs	(52,108)	(60,823)
Financial Costs	(140,419)	(71,635)
Profit before taxes EBIT	289,713	436,980
Profit Tax	34,671	45,995
Net profit EAT	255,043	390,985

The income during 2012 has been accomplished through construction, leasing and other projects like subcontractors etc.

# Key Values

## 3.1 Strong Financial Position.

Currently the company is under a new issuance after a financial accumulation. Its sales have been carried in an admirable performance, over 95% of the buildings. A portion of the assets are rented for long periods of time which provides steady income. The most important investment, that of the land, it is now through. The company is working on final details of a new tactic for good asset management CASH positions, which will ensure the return on investment and a high-speed movement of capital.

## 3.2 Social responsibilities.

Health and safety at work is on top agenda of the Company.

To achieve these objectives we work :

- implement and maintain management systems that ensure the planning, organization, control and monitoring health at work and safety measures.
- assess and manage the health and safety risks of our employees or any other that may be affected by our endeavor.
- Promote best practices and standards of behavior which minimize the risk of injury and ill health during work under the action of agents or materials with high fire, burns or contamination.
- establish performance standards to achieve improvements above and beyond statutory requirements relating to health and safety.
- identify individual responsibilities...
- provide the necessary resources to effectively manage health and safety.
- identify training needs and to fulfill them according to the standards of the construction industry and the laws of the Republic of Albania in this area.
- meet these objectives, all employees are required to be responsible and to fulfill their obligations for the maintenance of health and safety at work and the facilities where they work.

The monitoring of this situation is made by the Technical Department, which independently reviews any complaint of deficiencies, and on the other hand, audits it through documentary procedures while reflecting all legislative changes.



### 3.3 Employees: A great asset.

We continue to emphasize that our employees are our main resource, their loyalty and commitment together with their passion for work, give to KONTAKT an admired and unique character which keeps them together in our company. The main goal since 2012 is the hiring of the best available, based on criteria tested through professional and general exams as well as on their qualifications.

#### For the year 2012:

- The number of employees has increased by 7.2%
- For the first time, 15 employees were recruited
- Staff Turnover: 38% (In a national scale, the staff turnover in the construction sector is over 50%)
- The number of female employees represents 53% of the total number of employees
- The number of employees that left because they couldn't adapt, because of the workload, qualification etc. is 14.
- The number of employees with a temporary contract is 5
- The number of employees that left because they moved out is 10. Amongst them, 6 were recruited in 2012.

#### The longevity of the company is 12 years

Even during 2012, KONTAKT has invested on the qualification on its employees by spending in average 20 days worth of people every month. In the company's future policy, the key elements of employment will be:

- Employ a workforce that reflects the expectations of the company combined with the diversity of our society.
- Provide opportunities for all employees, regardless of age, gender, race, religion, nationality and sexual orientation.
- To be a school for the preparation of young specialists, who will contribute to the future of the society and Albania.
- Developing effective communication and consultation with employees to achieve our goals in business.

### 3.4 Community involvement and benefits.

The company has collaborated with the community where it has its head-quarters. It has developed the following activities:

- Sponsoring sports club Partizan.
- Paving and asphaltting a road segment in the block near its offices
- Building a park in this block;
- Building a playground for children;
- Planting 3,000 root crop trees and decorative trees in areas around the former sports complex "Partizan".





# The Financial Statements

## 4.1 Basis for preparation of Financial Statements

Financial statements are prepared in accordance with applicable law no. 9228 date. 29.04.2004 "On Accounting and Financial Statements," National Accounting Standards (NAS 2; 49), (SKK 1; 35) and (SKK 1; 37-69). Financial statements are prepared at historical cost. Initial assessment of the property is done at historical cost (SKK5; 11).

The calculation of the depreciation of the property (AAM) is calculated on the remaining value and the rate of depreciation is taken in accordance with the law "Profit Tax", article "Known Costs".

## 4. 2 Currency

Although a large volume of construction, leasing and works in road signaling by the company are carried out in Euros, the company prepares its financial statements in Lek (ALL) thus operating in functional and presentation currency of the company in accordance with SKK 12.

Transactions in foreign currency (in any currency other than the functional), are initially recorded at the exchange rate of the functional currency on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the exchange rate at the date of closure of the financial statements. All changes are reflected by their effects in the statement of profit and loss (income statement).

The course used in December 31st 2012, December 31st 2011 and the date of preparation of the financial statements is as follows:

December 31st 2012	December 31st 2011
<b>139.59 All/euro</b>	<b>138.93 All/euro</b>

In the Annual Report for the data in the euros the exchange rate 1 euro = 140 lek has been used. (Annual Average course).



## 4.3 Long-term Assets

Statements of changes in long-term material assets in Euros:

Nr	Designation	Cu.	Land	Building	Mach. and Equip.	Transportation Means	Electronic Equipment	Office Equipment	Assets under process	Total
1	Gross Value 31.12.2011	€	46,440	293,495	385,466	60,446	45,930	78,671	162,424	1,072,874
2	Addition	€	-	812,220	21,654	-	1,825	951	-	836,649
3	Outsourcing	€	-	-	-	-	-	-	-	-
4	Reduction	€	-	-	-	-	-	-	88,146	88,146
5	Gross Value 31.12.2012	€	46,440	1,105,715	407,120	60,446	47,754	79,623	74,278	1,747,097
6	Accumulated depreciation	€	-	-	-	-	-	-	-	-
7	31.12.2011	€	-	75,799	276,439	39,014	24,820	34,143	-	450,214
8	Addition of the year 2012	€	-	10,885	21,805	4,286	5,277	8,906	-	51,160
9	Year Reduction 2012	€	-	-	-	-	-	-	-	-
10	Accumulated depreciation 31.12.2012	€	-	86,684	298,244	43,300	30,097	43,048	-	501,374
11	Net value of property	€	46,440	1,019,031	108,875	17,146	17,657	36,574	74,278	1,320,001





## Statement of changes in intangible assets

Nr	Designation	Entity	Certificate ISO							Total
1	Gross Value 31.12.2011	€	4,376	-	-	-	-	-	-	4,376
2	Addition	€	-	-	-	-	-	-	-	-
3	Outsourcing	€	-	-	-	-	-	-	-	-
4	Reduction	€	-	-	-	-	-	-	-	-
5	Gross Value 31.12.2011	€	4,376	-	-	-	-	-	-	4,376
6	Accumulated depreciation	€		-	-	-	-	-	-	-
7	31.12.2011	€	1,689	-	-	-	-	-	-	1,689
8	Addition of the year 2012	€	474	-	-	-	-	-	-	474
9	Year Reduction 2012	€	-	-	-	-	-	-	-	-
10	Accumulated depreciation 31.12.2012	€	2,163	-	-	-	-	-	-	2,163
11	Net Value of AA materials	€	2,213	-	-	-	-	-	-	2,213

## 4. 4 Cash and cash equivalents

	31.12. 2012	31.12.2011	31.12.2010
CASH	1,382	5,402	5,007
Money in the bank	21,421	55,516	71,141
Demand Deposits	-	-	-
Deposits	-	-	-
Other	-	-	-
Total	22,803	76,149	6,034



#### 4. 5 Long and short term loans as in 31st December 2012

Long-term loans in Euros, Annual Interest	9%	Sum	501,418
Union Bank			
Total long term loans			501,418

#### 4. 6 Payable and Receivable Accounts

Payable and Receivable Accounts (in Euros)	Dec. 31st 2012	Dec. 31st 2011
Receivable Demand accounts, net	1,497,185	3,640,364
	1,497,185	3,640,364

Short-term payable obligations	Dec. 31st 2012	Dec. 31st 2011
Liabilities to pay (suppliers)	857,636	1,767,052
Receivable Advances	86,784	2,187,887
Other short-term liabilities	6,266	10,700
	950,686	3,965,639

#### 4.7 Inventory

Inventory	Dec. 31st 2012	Dec. 31st 2011
First materials	236,032	238,216
Usage Inventory	865	865
Work in Process (Object 4 February)	-	2,485,946
	236,898	2,725,028

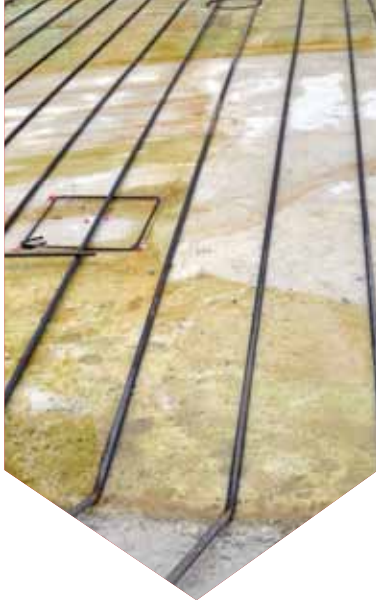
#### 4. 8 Other liabilities

Other long-term liabilities	31.12.2012	31.12. 2011
Grants and deferred income	2,213	3,427
Sum	2,213	3,427

#### 4. 9. Equity

Shares of the company as of 31 December 2012 are as follows:

Designation	Dec. 31st 2012		Dec. 31st 2011	
	%	Sum	%	Sum
Common shares	100%	1,363,002	100%	165,721
Legal reserve		8,951		8,951
Other reserves for investments			-	
Acquisition of exercise			255,043	
	100%		1,626,996	



#### 4. 10 Statement of changes in capital

Nr	Designation	Share Capital	Share Premium	Treasury Shares	Legal statutory reserve	Other reserves	Retained earnings	Total
I	Position as in 01.01.2011	165,721			8,951	1,911,521	-	2,086,193
1	Net profit for the accounting period	-			-	-	390,788	390,788
2	Paid Dividends	-			-	-	-	-
3	Increased capital reserve	-			-	-	-	-
4	Shares designations	-			-	-	-	-
II	Position as in 31.12.2011	165,721			8,951	1,911,521	390,788	2,476,981
1	Net profit for the accounting period	-			-	-	255,043	255,043
2	Paid Dividends	-			-	-	-	-
3	Capital increase	1,197,281			-	(1,911,521)	(390,788)	(1,105,028)
4	Reacquired Treasury shares	-			-	-	-	-
III	Position as in 31.12.2011	1,363,002			8,951	-	255,043	1,371,954



#### 4. 11 Profit Tax

Kontakt Ltd is a taxable subject in accordance with the taxes procedures and the law in force, in Albania which is 10%. Taxable profit for the period is determined in the basis of the balance tax and its annexes, which should be in accordance with the law "On tax procedures in the Republic of Albania", "On Profit Tax" and "On Accounting", as well as regulations of the Ministry of Finance. The meaning of these laws, known expenses per account of profit tax, is incurred expenses and justified with documents as invoices with VAT tax base and simple tax bill.

Expenses for purposes of profit tax in 31st December 2012 and

	Dec. 31st 2012	Dec. 31st 2011
Profit tax liability according to the statement of the result	34,671	45,979
Prepaid during the year	43,505	47,985



# FOUR Year summary

Reports	2009	2010	2011	2012
Gross profit margin (%)	29.3	43.9	17.6	17.43
The profit margin from operations (%)	16.5	36.5	11.72	10.47
Net profit margin (%)	5.2	32.3	6.64	9.22
Return on Assets (ROA) (%)	16	81	83	90
The ratio of net profit to capital ROE (%)	10.3	80.4	15.7	15.6
Equity versus debt (here)	3.6	2.1	4.44	3.24
Debt vs. Assets%	15.2	9.3	8	16
Property coverage with equity%	21	43	93	81
Liquidity ratio (AASH/P&L)	1.2	1.5	1.6	1.85





# READY FOR THE FUTURE.

The year 2013, according to economic analysts, is considered a difficult year for the Albanian economy, macro-economic indicators speak for a further slowdown of economic growth rates. But, based on the knowledge and our best experience and that of other analogical cases, we are ready for the challenge.



# ...WHAT ABOUT TOMORROW ?

Tirana and Albania are places where there is a fantastic change from an oppressive totalitarian regime to a free country, a democratic country. This is the reason why I was enticed to work in Albania, in Tirana and particularly to bring to Tirana a new sense of liberty and open space, a new neighborhood, architecture which is inspiring and a sense of living which compete favorably with any place in the world. This is really a project that means a lot to me, a project that I love to do! I think it will have a big impact not only in Tirana but I think in the world in general. Our vision for the new neighborhood in Tirana is to create a fantastic neighborhood which really contributes to the lives of citizens, to create a high density neighborhood of an ecological perspective, with a great sustainable architecture, with beautiful vistas, with a piazza, with a kind of liveliness that this beautiful Mediterranean city deserves. The new neighborhood will contribute to the ongoing transformation of Tirana!

DANIEL LIBESKIND







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