



2013

# ANNUAL REPORT

To build is more than it seems



## OUR PURPOSE TO CREATE A BETTER LIVING COMMONPLACE

We work to create a better future every day, with brands and services that help people feel good, look good and get more out of life.

Our first priority is to our consumers – then customers, employees, suppliers and communities.



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OUR 2014  
FORECAST CALLS FOR  
IMPROVED GROWTH  
AND CONSISTENT  
PROFITABILITY, WITH  
STRONG REVENUE  
GROWTH AND A  
RETURN TO MODEST  
PROFITABILITY IN OUR  
BUILDING GROUP,  
AND MODERATE  
GROWTH AND STABLE  
PROFITABILITY ACROSS  
THE REST OF OUR  
BUSINESS.



Dear Partners and Clients,

I am delighted to present a Company to you that is 'built to last' and is proud to have continually delivered the right engineering and construction solutions for our public and private sector clients since its inception in 1999.

2013 was a challenging year for KONTAKT. Nevertheless, KONTAKT has continued to grow and has never lost the focus from its basic principals, which are high quality, innovation and investment in human resources, hence raising the overall standards of our Company.

There is a story in every project we build. A personality ingrained by those who design and build it. No matter what our clients' project challenge, we will offer the people, the smarts, the desire and dedication to get the job done right.

We don't just build public and private infrastructure, we make a commitment to understand our clients' needs and offer an end-to-end solution to every project, big or small, no matter what it is or where it's located.

Our creative approach is what makes us stand out from the crowd, and generate repeat business. Anyone can build it, but we believe we build it better.

We have some of the best and brightest in their fields working for us. It's something we're proud of, we strive to be the industry leaders, and it shows in our work.

Our design-build capabilities include architectural and engineering design in addition to construction management. The design-build process expedites the project which results in a quicker, more affordable, and higher quality finished product.

Our collaboration with the world renowned architect Daniel Libeskind, designer of our major and very special project Eagle In Flight, as well as with the architect Martin Sobota, in the project AnA, has helped us to maintain as well as to continuously raise our standards.

Big projects require best construction materials and we are committed in achieving this by sourcing them through reliable suppliers and sub-contractors.


The collaboration with Ital Cementi, KNAUF, Acquapanel, Ideal Standart, has enabled the introduction and usage of innovative materials and construction techniques such as i-drain tarmac and self-cleaning photo-catalytic plaster. Some of these materials and techniques are introduced in the Albanian market for the first time.

During 2013 we have to mention also the cooperation with Swarco Mizar S.p.a, an international company with main activity focused on road signs, in a project contracted by the Municipality of Tirana for the Urban Traffic Control Centre of the city, where Kontakt has been main sub-contractor and has completed within scheduled deadlines and very good quality all assigned works.

Therefore we can proudly say that this has been a productive year and it will serve as an investment for the future, by gaining new experiences and consolidating our position in the market, as constant leaders in quality and innovation, by guaranteeing not only the success but also the contribution in the Albanian market and society.

I am looking forward to 2014 with a great deal of optimism about our future. We are building from a position of strength.

Sincerely



Fadmir Belteshi



# KONTAKT

TO BUILD IS MORE THAN IT SEEMS



## 2.1 OUR VISION

Quality, standards, innovation, these are the values of our work for a long-term future in the market.

## 2.2 OUR MISSION

Our mission is to create sustainable values with our products Residential buildings for a long-term and safe quality of life for our clients, participation in public works through valuable investments for the Company and attractive work for the employees and entrepreneurs. In this way we play our role as a serious organisation and are accountable to the society, with the aim of being successful for the future.

## 2.3 TARGETS AND PERFORMANCE OF THE COMPANY

The value of the Company has increased. In relation to the working capital, in order to respond to the increasing work needs the Managing Board decided not to share the dividend for the year 2012 but to reinvest the profit, with the aim to strengthen the Company.





## 2.4 THE COMPANY STRATEGY

Our Company has been in existence for nearly 15 years and our products are the best evidences as they express the individual character in creating its values.

Under the current circumstances of a regional financial crisis, implementing an efficient strategy has been the challenge of the Company, which has further consolidated its results during the year. Other similar companies were faced with the lack of liquidity, reduced rates of construction and reduction in the number of employees. At KONTAKT these indicators during this year have shown stability.

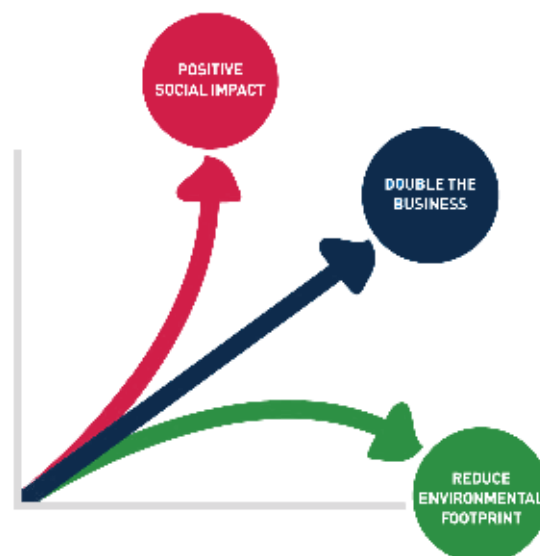
The Company strategy is signified in its motto 'To build is more than it seems'. It is based on well researched and trustworthy development plans.

Our focus High quality residential constructions, construction for industrial purposes, social and public use and marketing through a Real Estate Agent which is becoming increasingly more powerful as part of our Company.

Once again the Company this year has taken great care in regards to liquidities. Incomes have had great flexibility.

The performance was very positive, and was fed by cash entry, that generated cash from operations in the amount of 4.5 million Euros.

Impact on this performance, except the strategy of marketing for sales, has given the reduction in the minimum of the obligations of debtors.



# MAGNET

IS The key of OUR FUTURE



To improve the cash situation, we have restructured the debt with the bank and today we have a debt to income ration of around 18%.

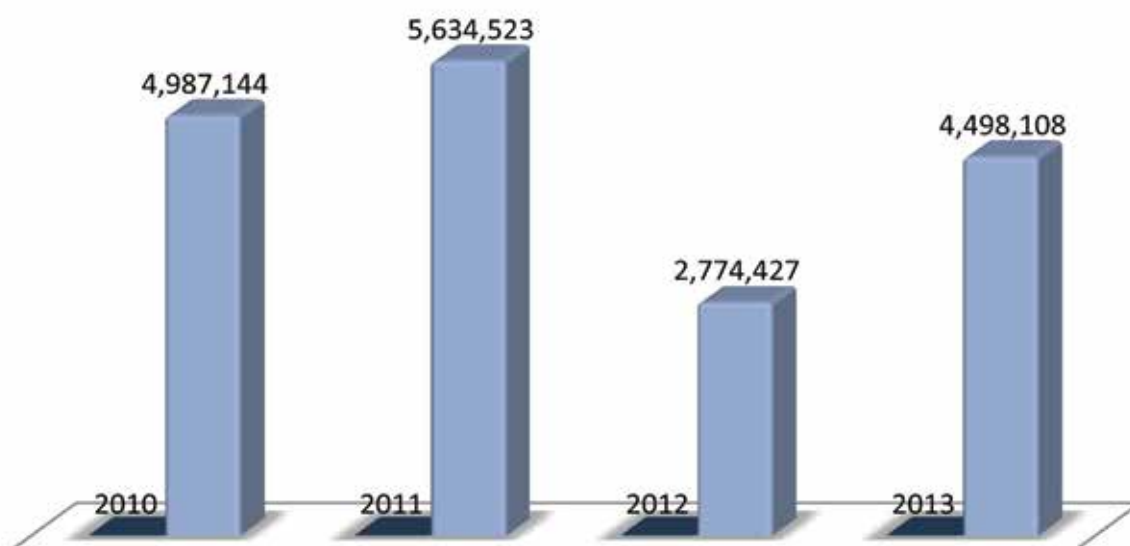
This income was used to liquidate current commitments, commitments towards the government, purchasing Tangible Fixed Assets (TFA), etc.

The amount of annual tax and duty paid in 2013 is 73,744.00 Euros, and we have no overdue tax payments.

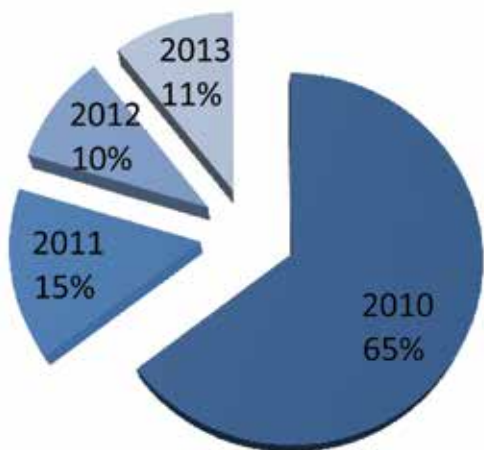
We have also paid the fee for the building permission application and the tax of the impact on the infrastructure for AnA Residential Complex, in the amount of 181,674 Euros.

Earnings before Interest and Tax of the Company for 2013 reached 322,253 Euros whereas Earnings after Tax reached 276,731 Euros.

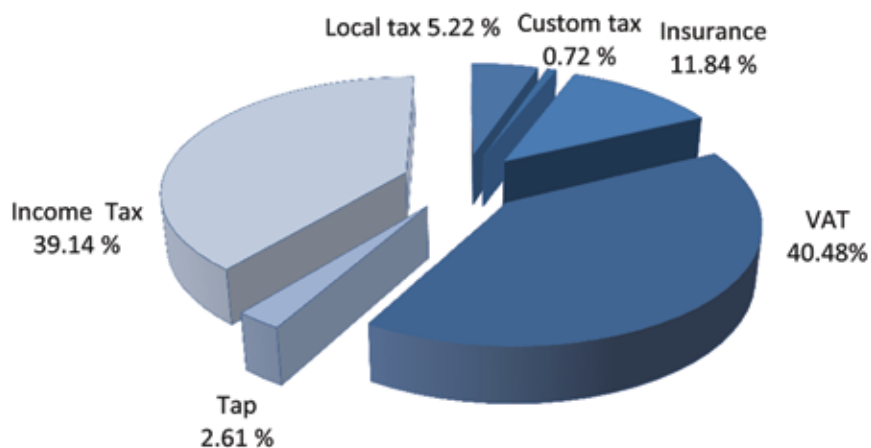
The income of the Company for the period 2010-2013 in Euro has varied as shown in the chart







Profit for 2010-2013 chart



Tax and duty paid in 2013 chart

## 2.5 Achievements, Collaborators and Environment

We have increased the competitiveness in the market and are well placed in our position in the construction industry sector, which we have chosen as our field of work.

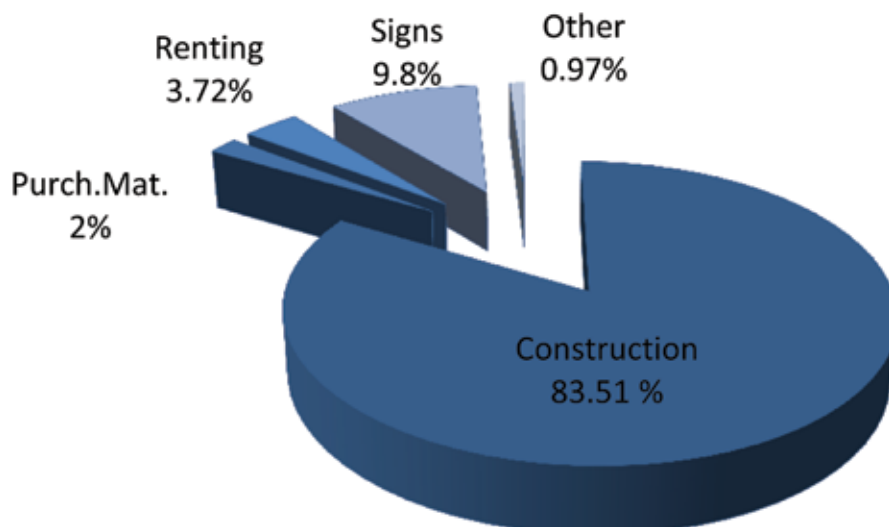
Our Company works with trustworthy and well-known partners in the local market, European market and beyond. Works undertaken are fully contracted as per the rules of fair competition that gives the Company a meaningful performance in achieving the set targets.

We have increased the cooperation with foreign investors in the implementation of the project T-UTC that introduced new road signs in the Municipality of Tirana. Well-known companies namely Swarco Mizar Spa and S.C.A.E from Italy are implementing this project.

In all the realized projects, Kontakt keep in focus the conservation and improvement of the environment by planting trees at the surrounding area where she builds.

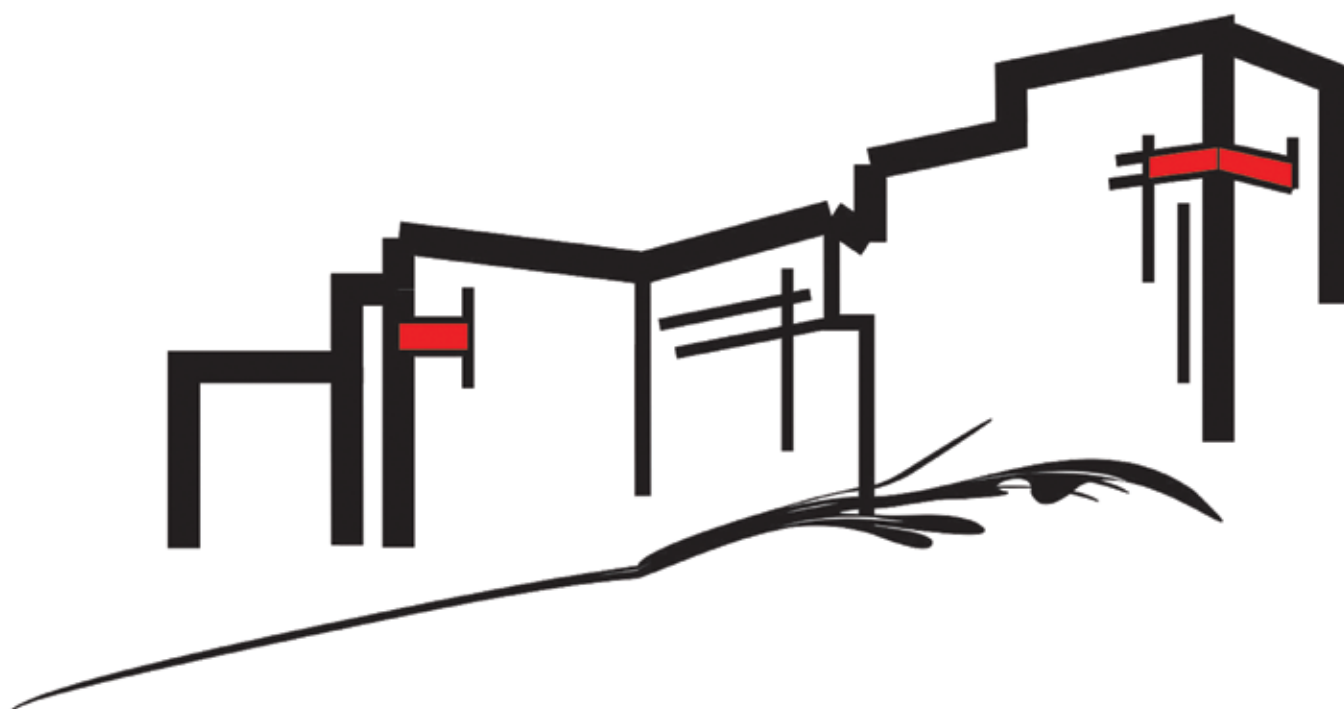
Company owned assets are buildings for offices and warehouses. From the year 2010 and actually these assets have been rented out to third parties and they bring considerable income for the company.

For the year 2013, the structure of income according the source is given in the pie.



## 2.6 Financial statements

<u>ASSETS</u>	In Euros	
	<u>Year 2013</u>	<u>Year 2012</u>
<b>SHORT-TERM ASSETS</b>	<b>4,546,976</b>	<b>1,793,695</b>
I) MONETARY MEANS	75,903	23,159
<b>II) RECEIVABLES FROM DEBTORS</b>	<b>4,181,405</b>	<b>1,533,638</b>
a) Clients for sales, services	2,905,652	701,432
Other receivable accounts/requests	725,979	432,864
Advanced and deferred investments	521,193	371,950
Liabilities payable to the Government	10,184	27,392
Advances to suppliers	18,397	0
<b>III) GOODS IN INVENTORY AND IN PROCESS</b>	<b>289,668</b>	<b>236,898</b>
a) Raw materials and other materials	288,803	236,032
b) Production, works, services in process	0	0
c) Other inventory	865	865
<b>LONG-TERM ASSETS</b>	<b>1,263,791</b>	<b>1,322,213</b>
I) INTANGIBLE	1,881	2,213
d) Other in use	1,881	2,213
<b>II) TANGIBLE</b>	<b>1,261,910</b>	<b>1,320,001</b>
a) Land, sites, terrains	46,440	46,440
b) Buildings	968,079	1,019,031
c) Technical installations, machineries, equipment, working tools.	109,045	126,021
d) Other in use	59,485	54,231
e) Long-term tangible assets in process	78,861	74,277
<b>TOTAL OF ASSETS</b>	<b><u>5,810,767</u></b>	<b><u>3,115,909</u></b>



## 2.6.2 Liabilities

LIABILITIES	In Euros	
	Year 2013	Year 2012
<b>SHORT-TERM LIABILITIES</b>	<b>3,277,728</b>	<b>988.830</b>
a) Supplies for purchases and services	1,262,890	852.272
b) Staff	9,602	4,614
c) Social insurance and similar liabilities to the government	9,656	1,652
d) Other short-term liabilities	138,032	110,328
e) Advances receivable	1,857,548	19,964
<b>II LONG-TERM LIABILITIES</b>	<b>629,650</b>	<b>501,418</b>
Long-term loan	629,650	501,418
<b>TOTAL OF LIABILITIES</b>	<b>3,907,378</b>	<b>1,490,248</b>
<b>OWN CAPITALS</b>		
<b>I. SHARE CAPITAL, RESERVES</b>	<b>1,903,389</b>	<b>1,625,661</b>
a) Authorised capital	1,363,002	1,363,002
Legal reserves	8,951	8,951
b) Other reserves	253,708	0
c) Profits and loss of the financial year (Loss -)	277,728	253,708
<b>TOTAL OF ASSETS</b>	<b>5,810,767</b>	<b>3,115,909</b>

## 2.6.3 Statement of income and expenditures (in Euros)

Item	Financial year	
	2013	2012
Income	4,498,105	2,766,302
Direct costs	(3,878,161)	(2,194,662)
Administrative costs	(100,513)	(90,881)
Profit from operations	519,431	480,759
Depreciation costs	(88,216)	(52,108)
Financial costs	(108,962)	(140,419)
Earnings before interest and tax (EBIT)	322,253	288,232
Tax on profit	45,522	34,522
Earnings after Tax (EAT)	276,731	253,710

# COMPANY STRENGTHS

## 3.1 Powerful Financial Position

This year the request for our products has been at a high level. Sales reached an admirable performance, over 85% of the constructed building.

Parts of our assets are long-term leased, from which we receive sustainable income. The most important investment, the land, is now completed. The Company is working on a new tactic towards a better management of assets and the cash position, which will secure return on the investment and high speed in the circulation of its capital.

## 3.2 Employees A great asset

We continue to believe that our employees are the main and crucial resource. Their loyalty and commitment, along with the passion, gives KONTAKT a unique character, highly admired and widely accepted for which they joined the Company in the first place. The main aim since 2010 has been employment of the best the market can offer based on open criteria, through professional and general testing and their continuous professional development. Health and safety at work is at the top of the agenda of our Company.

To achieve these goals KONTAKT is working to

- Implement and maintain the management systems ensuring planning, organisation, control and monitoring of health and safety at work.
- Evaluate and manage the risk to health and safety for its workers and any other party that is affected by our undertakings.
- Promote the best practice and standards of behaviour that minimises the risk of harm and ill health because of work under the reaction of flammable, combustible or contaminating agents and materials.
- Set performance standards to further improve statutory requirements related to health and safety.
- Identify individual responsibilities.
- Secure the necessary resources to effectively manage health and safety.
- Identify the needs for training and meet them in line with the construction industry standards and laws of the Republic of Albania in this field.

Monitoring of the situation shall be carried out by the Technical Department, which is independent, and deals with every complaint and fault and carries out the audits following the proper procedures, reflecting all the legal changes.

Figures for 2013 are as follows

- The number of employees increased by 140% compared to the previous year.
- 40 first time employees were recruited.
- The turnover of employees is 38%, while the turnover average for the country in the construction sector is over 50%.
- The number of female employees was 53% of the total number.
- The number of employees that left due to instability, load, qualification, etc., was 10.
- The number of temporary contract employees was 2.
- The numbers of employees that left due to transfers was 6, out of these, 3 were recruited in 2013.
- The lifespan of the Company is 14 years.



The key elements of the employment for the Company in the future shall be to

- Employ a work force that reflects the expectations of the Company, combined with the diversity of our society.
- Create opportunities for all employees, regardless of age, sex, race, religion, nationality, sexual orientation and beliefs.
- Be a school of preparation of young specialists, who will contribute towards the future of the society and Albania itself.
- Develop an effective communication and consultation with the employees in order to achieve our business goals.

### 3.3 Social responsibilities of the Company

In focus of the company has always been the internal and external social responsibility. In the policies of the company is carefully noted a great care towards employee and the community.

The Company has cooperated with the community in the area surrounding the headquarters.

- Use the best standards and practices to minimize the risk at work
- Take care about the health and the needs of the employees.
- Sponsored Partizani multi-sporting club.
- Paved and asphalted a segment of the road near its Headquarters.
- Built a green park in the same area
- Built a playground for the children
- Built a basketball field
- Planted 3000 fruit and decorative trees in the area around Partizani sports grounds.





# INFORMATION ON THE FINANCIAL STATEMENTS

## 4.1 Basis for the preparation of financial statements

The Financial Statement were prepared pursuant to the applicable Law No. 9228, dated 29.04.2004 "On Accounting and Financial Statements", National Accounting Standards (NAS 2 49), (NAS I 35) and (NAS I 37-69). Financial Statements were prepared based on historical costs. The initial evaluation of long-term assets is done using the historical cost (NAS 511). The calculation of depreciation of Fixed Tangible Assets (FTA) is calculated on the outstanding value and the rate of depreciation references in line with the Law on 'Income Tax', Article 'Known expenses'.

## 4. 2 Functional and presentation currency

Although a large volume of the construction, rents and works related to the Road Signs project is carried out by the Company in Euros, the Company prepares its Financial Statements in Lek (ALL), as the functional and presentation currency of the Company in accordance with the NAS 12.

The transaction in foreign currency (in other currency other then functional currency), are initially registered based on the exchange rate of the functional currency on the transaction date. Monetary means and liabilities in the foreign currency are converted based on the exchange rate on the day of closing the Financial Statements.

All changes are reflected with their effect in the Income and Expenses Statement (IES).

The exchange rate use on 31 December 2013, 31 December 2012 and on the date the financial statements were prepare is as follows

31 December 2013	31 December 2012
140.2 ALLEUR	139.59 ALLEUR

In the Annual Report for the figures in Euros the exchange rate use is 1 Euro~ 140 ALL. (Average exchange rate).



### 4.3 Long-term assets

The statement of changes to the fixed tangible assets in Euros										
No	Item	Currency	Land	Building	Mach. and equip.	Transport vehicles	Electronic equipment	Office equipment	Assets in process	Total
1	Gross value on 31.12.2012	€	46,440	1,105,714	407,119	60,445	47,754	79,622		1,747,097
2	Additions	€			8,997		8,143	8,840		25,981
3	Transfers	€								
4	Reductions	€			4,083					4,083
5	Gross value on 31.12.2012	€	46,440	1,105,714	412,034	60,445	55,897	88,462		1,768,995
6	Accumulated depreciation	€								
7	On 31.12.2012.	€		86,684	298,244	43,300	30,097	43,048		501,374
8	Addition of the year 2013	€		50,952	21,775	3,429	4,414	7,315		87,885
9	Reductions of the year 2013	€			3,315					3,315
10	Accumulated depreciation 31.12.2013	€		137,635	316,704	46,729	34,512	50,363		585,944
11	Net value of tangible fixed assets	€	46,440	968,079	95,330	13,717	21,386	38,099		1,183,051
Statement of changes to the intangible fixed assets										
No	Item	Currency	ISO Certificate							Total
1	Gross value on 31.12.2012	€	4,376				-	-	-	4,376
2	Gross value on 31.12.2012	€	4,376				-	-	-	4,376
3	Accumulated depreciation	€					-	-	-	
4	On 31.12.2012.	€	2,162				-	-	-	2,162
5	Addition of the year 2013	€	331				-	-	-	331
6	Accumulated depreciation 31.12.2013	€	2,493				-	-	-	2,493
7	Net value of tangible fixed assets	€	1,883				-	-	-	1,883

### 4.4 Monetary means and equivalents ( in Euros )

	31.12. 2013	31.12.2012	31.12.2011
Cash	38,516	1,738	5,402
Bank Account Statement	37,278	21,420	55,516
Unlimited deposits		-	-
Limited deposits		-	-
Other		-	-
Total	75,794	23,158	76,149

### 4.5 Long-term and short-term loans on 31 December 2013 ( in Euros )

Long-term loans in Euros, interest per annum	7.9%	Amount
Union Bank		629,173
Total of long-term loans		629,173

## 4.6 Accounts payable and accounts receivable

Long-term receivable accounts/requests	31 December 2013	31 December 2012
Long-term receivable accounts/requests, net	2,905,651	701,432
	2,905,651	701,432
Short-term accounts payable	31 December 2013	31 December 2012
Short-term accounts payable to suppliers	1,262,890	852,272
Advances to suppliers	1,857,548	19,963
Other short-term accounts	138,032	110,328
	3,258,470	982,563

## 4.7 Inventory ( in Euros )

Inventory	31 December 2013	31 December 2012
Raw materials	288,803	236,032
Inventory in use	865	865
	289,668	236,898

## 4.8 Other liabilities ( in Euros )

Other long-term liabilities	31.12.2013	31.12. 2012
Grants and deferred income	1,881	2,213
Amount	1,881	2,213

## 4.9 Shareholder capital

Company shares until 31 December 2013 are as follows

Designation	31 December 2013		31 December 2012	
	%	Amount	%	Amount
Ordinary shares	100%	1,363,002	100%	1,363,002
Legal reserves	100%	8,951	100%	8,951
Other reserves for investments		253,708		-
Profit of the financial year		277,729		253,708
	100%	1,903,390	100%	1,625,661

Company shares are owned 100% by the only shareholder of the Company Mr. Fatmir Bektashi.

## 4.10 Statements of capital changes ( in Euros )

No	Item	Share capital	Prime share	Treasury shares	Statutory and legal reserves	Other reserves	Retained earnings	Total
I	Position on 01.01.2012	1,363,002			8,951			2,476,981
1	Net profit for the accounting period						253,708	
2	Paid dividends							
3	Increase of the capital reserve.							
4	Shares issued							
II	Position on 31.12.2013	1,363,002			8,951		253,708	1,625,661
1	Net profit for the accounting period						284,076	284,076
2	Paid dividends							
3	Increase of the capital							
4	Repurchased treasury bonds							
III	Position at 31.12.2013	1,363,002			8,951		537,784	1,909,737

## 4. 11 Income tax

Kontakt I.t.d. is a taxable subject in accordance with the current tax procedures and legislation of Albania, which for the year 2013 is 10%.

Taxable earnings for the tax period are determined based on the balance sheets and its annexes, which should be in accordance with the laws on 'Tax procedures in the Republic of Albania', 'Income Tax' and 'Accounting', as well as the Ministry of Finance by-laws. Within the meaning of these laws, the known expenses for Income Tax are the expenses incurred and justified based on the essential tax documents, such as VAT receipts and simple tax receipts.

Expenses for the purpose of Income Tax on 31 December 2013 and 31 December 2012 are as follows

	31 December 2013	31 December 2012
Amount of Income Tax as per the statement of results	44,522	32,852
Advances during the year	53,955	43,378

## 5. Four year summary of key performance indicators of KONTAKT

Reports	2013	2012	2011	2010
Gross profit margin (%)	7.17	17.43	17.6	43.9
Profit margin from operations (%)	11.55	10.47	11.72	36.5
Net profit margin (%)	6.17	9.22	6.64	32.3
Return on Assets (ROA) (%)	4.78	90	83	81
Return on Equity (ROE) (%)	14.59	15.6	15.7	80.4
Share Capital against the Debt	3.02	3.24	4.44	2.1
Debt towards Assets %	10.78	16	8	9.3
Ratio of long-term assets on the capital (%)	66.40	1.23	1.03	0.77
Ratio of liquidities (Short-term assets / Short-term liabilities)	1.38	1.85	1.6	1.5





## READY FOR THE FUTURE

Economic experts, predict 2014 to be a difficult year for the Albanian economy.

Macro-economic indicators show a further slowdown of the economy.

However, based on our good performance and comparing ourselves to other similar companies, we are ready for the challenge.



‘Need’ is the social need to reduce carbon, improve the thermal performance of existing buildings, and respond to the climate change commitment.

‘Demand’ is driven by the market, taking into account cash or other incentive, disincentive.

At the end of the day it is about what the client will pay for. The role of the contractor is to show the opportunities to the client to enable them to make a decision



# KONTAKT