

**Annual internal audit  
report for the period  
01.01.2025-31.12.2025**

**DECEMBER 2025**

**Mermeren Kombinat AD - Prilep  
Made by: Aneta Trkaleska**



**MERMEREN  
Kombinat**



Content

1. Introduction.....	3
2. Purpose of the Annual report.....	4
3. Conducted audits for the period from January 2025 to December 2025.....	4
4. Evaluation of the planned control time and possible deviation.....	5
5. Findings and proposed measures of the internal audit service.....	5
6. Information about other activities performed.....	9
7. Evaluation of the adequacy and efficiency of internal audit systems.....	10
8. Opinion.....	11



## **1. Introduction**

The internal audit service at Mermeren Kombinat AD – Prilep functions as an independent organizational part of the Company and the annual work plan of the service for 2025 was approved by the Decision of the Board of Directors on 31.01.2025 - 02/355/1. The main purpose of the internal audit is to check the compliance of the internal acts and procedures with the positive legal regulations, the regulation, established standards, as well as assessment of internal control systems and risk management. The internal audit provides an independent and objective opinion to the Company's bodies on the efficiency of the established internal controls and on the adequacy of the risk management systems.

The performance of the internal audit is in accordance with the requirements of the Law on Commercial Companies ("Official Gazette of the Republic of Macedonia" No. 28/04, 84/05, 25/07, 87/08, 42/10, 48/10, 24/11, 166/12, 70/13, 119/13, 120/13, 187/13, 38/14, 41/14, 138/14, 88/15, 192/15, 6/16, 30/16, 61/16, 64/18 and 120/18 and "Official Gazette of the Republic of Macedonia" No. 290/20 and 215/21).

Based on Article 415-c; point 1 and 3 of the Law on Trading Companies and the decision made by the Board of Directors of the Company to organize the Internal Audit Service of Mermeren Kombinat AD - Prilep, the service submits an annual report for the period from 01.01.2025 to 31.12.2025 on its operations.

The audit methods that were used during the audit are the following: statistical control and the method of a statistical sample or full control, observation of processes, immediate insight into the documentation and report forms from the information system, interviews with direct executors, employees, heads of departments, etc.

## ***2. Purpose of the annual report:***

Provision of timely information on the need, benefits and improvement of the efficiency, economy and effectiveness of the Company from the functioning of the internal audit.

The annual report on the operation of the internal audit service contains the following information:

- ✓ Description of the performed audits of the Company's operations;
- ✓ Evaluation of the adequacy and efficiency of internal control systems;
- ✓ Findings and proposed measures of the service;
- ✓ Evaluation of the planned control time and possible deviation;
- ✓ Information about other activities performed.

During the implementation of its activities, the internal audit service was primarily and solely guided by the goals of providing an independent and objective assessment of the adequacy and efficiency of the internal control systems, as well as the adequacy of the Company's established procedures, their compliance with current operations and within the framework of legal regulations.

## ***3. Conducted audits for the period from January 2025 to December 2025***

In the annual report on the operation of the internal audit for the period from January 2025 to December 2025, the following audits were carried out according to the adopted Internal Audit Plan for 2025:

- The first audit was conducted in the procurement sector and the occupational health and safety sector in the period from 01.01.2025 to 31.03.2025 of the entire documentation for the use, i.e. circulation of explosive materials in Mermeren Kombinat AD - Prilep, Sivec quarry, starting from their procurement, storage, issuance and consumption in the Production Sector, as well as the necessary documentation and reporting to the Ministry of Internal Affairs of the Republic of Macedonia - Department for Weapons, Explosives and Dangerous Substances - Prilep and monitoring of the remaining quantity.

- The second audit was conducted in the procurement sector and the accounting sector to check and analyze the claims for issued and consumed oil in the Sivec quarry and in Processing for the period from 01.01.2024 to 31.03.2024 and a comparison of the same period for 2025, i.e. from 01.01.2025 to 31.03.2025.
- The third audit was conducted in the production sector, the quality control sector and the accounting sector to check and monitor production with a sample taken from a certain date.
- The fourth audit was conducted to check the recommendations given by the external auditors for IMS and ISO standards and whether they have been implemented.

#### ***4. Evaluation of the planned control time and possible deviation***

The Service carried out the planned audits of the business processes in the Company's sectors within the available time and without major deviations from the time planned for control with the Annual Work Plan of the Service.

Evaluation of the planned time is that it is fully aligned with the annual plan.

#### ***5. Findings and proposed measures of the internal audit service***

1. Inspection of the procurement, consumption and records of explosive materials in the Sivec quarry	
report number	No.:01-2025
Finding and Opinion	During the control of all documentation for the use, i.e. circulation of explosive materials in Mermeren Kombinat AD - Prilep, Sivec quarry, starting from their procurement, storage, issuance and consumption in the Production Sector, as well as the necessary documentation and reporting to the Ministry of Internal Affairs of the Republic of Macedonia - Department for Weapons, Explosives and Dangerous Substances - Prilep and monitoring of the remaining quantity with one specific example, no

	irregularities have been identified. The procurement of explosives is carried out in accordance with legal and internal regulations, with clear records and control of quantities, as well as with documented consent from the competent authorities and the Ministry of Internal Affairs of the Republic of Macedonia - Department for Weapons, Explosives and Dangerous Substances - Prilep. All documents are kept in the archive and are available for review.
recommendations with suggested measures	<ol style="list-style-type: none"> <li>1. Continue to regularly document and archive all requests, approvals and purchases;</li> <li>2. Conduct regular checks of stored explosives with date, signature and document number for each shipment;</li> <li>3. Maintain timely records in the NAV system for quick and accurate tracking of quantities.</li> </ol>
status	fully implemented

2. Checking the oil consumed in the first three months of 2025 compared to the first three months of 2024	
report number	No.:02-2025
Finding and Opinion	<p>Based on the audit of the documentation and the analysis of the oil consumed for the comparative period, the following can be concluded:</p> <ul style="list-style-type: none"> <li>➤ Oil consumption in 2025 has increased, but at the same time the average purchase price is lower, resulting in better cost-effectiveness;</li> <li>➤ It is positive that cooperation with a new supplier has been established on favorable terms;</li> <li>➤ Internal code records allow for clearer tracking of oil by purpose, which contributes to better control.</li> </ul>
recommendations with suggested measures	<ol style="list-style-type: none"> <li>1. Continue with detailed records of consumption by codes and locations;</li> <li>2. Introduce periodic reports (on a quarterly basis) on oil consumption, in order to monitor trends and identify any deviations in a timely manner;</li> </ol>

	<p>3. To consider the possibility of additional negotiations with suppliers to secure even more favorable conditions;</p> <p>4. To prepare a special analysis of the consumption of official vehicles, with the aim of possibly optimizing their use</p>
status	fully implemented

3. Checking and monitoring a block through the production processes and obtaining a finished product	
report number	No.:03-2025
Finding and Opinion	<p>During the control of monitoring the process of one block, from its exploitation, internal transport and transfer to Processing in the production process, its processing through the production phases, up to the final product, it was found that the internal controls in the processing sector and the quality sector function efficiently and in accordance with the prescribed procedures.</p> <p>The production process is set on sound foundations, with minimal risk of errors. The records are reliable and provide an accurate overview of the transfer of value from raw materials to finished product.</p>
recommendations with suggested measures	no recommendations
status	fully implemented

4. Verification and control of all measures that are given as recommendations and are determined by the external inspection of the IMS by the external auditors at the Sivec mine and at the factory	
report number	No.:04-2025
Finding and Opinion	In accordance with the IMS and ISO standards, there is reasonable assurance that operations in all sectors are in compliance with the law, an advanced level of accuracy and good internal control by the management

	<p>body. Namely, 4 recommendations were given by the external auditors from 2024 and 5 recommendations from 2025. of which:</p> <p>For 2024 the recommendations are:</p> <ul style="list-style-type: none"> <li>- The first recommendation is that when establishing goals, it is necessary to define who is responsible for meeting the goal and the deadline by which the goal must be completed;</li> <li>- The second recommendation is to make a plan for replacement work positions;</li> <li>- The third recommendation is that pressure vessels in the maintenance sector should be in the appropriate place and tied down;</li> <li>- The fourth recommendation is to organize regular meetings regarding OSH;</li> </ul> <p>For 2025 the recommendations are:</p> <ul style="list-style-type: none"> <li>- The first recommendation is to add and analyze in the Context of the organization how climate change affects our operations and how we affect climate change;</li> <li>- The second recommendation is for the organization to establish and document goals in accordance with the requirements of the ISO 9001, ISO 14001 and ISO 45001 standards, in accordance with the defined procedure, in order to ensure focus, monitoring and improvement of performance in all relevant areas;</li> <li>- The third recommendation is to make climate change part of your integrated policy, with specific objectives and actions;</li> <li>- The fourth recommendation is to establish a formal system for controlling the risks identified (through your SWOT analysis) with specific corrective actions, monitoring measures and responsible persons;</li> <li>- The fifth recommendation is to start with a regular analysis of the consumption of natural resources (water, energy, fuels, raw materials), with precise expression of the data in appropriate units of measurement (liters, kWh, kilograms, etc.)</li> </ul>
<p>recommendations with suggested measures</p>	<p>For 2024 - the first two recommendations have not been implemented, as they need to be discussed in more detail with top management and a decision has to be made by the Board of Directors. The third has been implemented in full and the fourth has been partially implemented, as monthly oral meetings are organized.</p>

	For 2025 - the first and third recommendations are in the implementation phase, and the remaining three recommendations have not been implemented, as they need to be discussed in more detail with top management and other sectors.
status	partially implemented

## 6. Information on other activities performed

During 2025, the internal audit service performed the following activities:

- Implementation of the proposed measures from the external audit for ISO IMS and the recommendations given by the external auditors from 2024 and from 2025;
- Control and correction of the entered daily cards of the employees from Sivec mine and factory in Microsoft Dynamics NAV and preparation of monthly reports on the loaded amount of waste material from the dumpers, for the daily amount of cut m<sup>2</sup> of the diamond wire saws, for the daily number of drilled meters of the drilling machines and for the daily amount of cut meters of the fountains;
- Occasional provision of independent and objective advisory services on certain issues at the request of the management;
- Change of the Quality Policy to an Integrated Policy for Quality, Occupational Health and Safety and the Environment on 12.06.2025 with arch. no. 02-2773/1.
- Change of some of the procedures in the human resources sector:
  - ✓ 2-HR-08 – Salary Procedure, with arch. no. 04-5674/1;
  - ✓ 2-HR-06 – Procedure for activities upon termination of employment of an employee, with arch. no. 04-5674/2;
  - ✓ 2-HR-05 – Procedure for overtime work, with arch. no. 04-5674/3;
  - ✓ 2-HR-02 – Procedure for integration into work, with arch. no. 04-5674/4.

## ***7. Assessment of the adequacy and efficiency of internal control systems***

Internal control is a continuous process that is carried out by the management and employees of the Company and is established to provide reasonable certainty for achieving the goals.

The system of internal control is constantly changing and adapting depending on the changes in the legal regulation, the changes in the technology of certain processes or systems and therefore represents a significant component in the management and setting of a reliable and stable basis for the functioning of the Company.

The internal audit during the evaluation of the adequacy and efficiency of the internal control system in the audited processes and activities during 2025 was directed to analyze and evaluate the most significant components and objectives of the internal control systems, namely:

- Are the audited processes or activities regulated by internal policies and to what extent;
- Are the internal policies and procedures in accordance with the legal regulation;
- Does it establish the adequate division of powers and responsibilities of employees in organizational units;
- Are the revised processes supported by an adequate information system;
- Does the internal control system enable recognition and assessment of the most significant risks to which the Company is exposed.

## 8. Opinion

The identified findings based on the individual audits performed in the period from January 2025 to December 2025, foreseen by the Annual Internal Audit Plan, have a low importance rank and the overall assessment is good.

The internal audit confirms the acquired reasonable assurance that the internal control system is for the most part adequately implemented in the direction of minimizing the significant material risks that are characteristic of the operation of the Company's activities and in the direction of efficient and consistent implementation of the legal regulation and the Company's business policy.

The general conclusion is that the business processes still have insufficient system support, a high degree of manual preparation of reviews, reports, etc., for which an appropriate solution should be found, in the interest of improving and advancing the operation and providing a significantly higher quality, more efficient and more economical system of internal control of the overall operation of the Company.

Identified weaknesses in the system of internal controls are subject to continuous upgrades and improvements in accordance with the given recommendations, and will be subject to control during the next audits of these processes.

Date:  
30.12.2025

Made by:

Aneta Trkaleska

