

**PUBLIC ENTERPRISE
FOR STATE ROADS**

**INDEPENDENT AUDITOR'S REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDING
31 DECEMBER 2013**

Skopje, June 2014

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**INDEPENDENT AUDITOR'S REPORT
TO THE
MANAGEMENT OF THE
PUBLIC ENTERPRISE FOR STATE ROADS**

We have audited the accompanying financial statements of the Public Enterprise for State Roads ("the Enterprise"), which comprise the Statement of Financial Position as at 31 December 2013, and the 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 Financial Statements

Management of the Enterprise 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 International Standards on Auditing. 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
MANAGEMENT OF THE
PUBLIC ENTERPRISE FOR STATE ROADS**

Basis for qualified opinion

As it is described in Note 3.8. to the financial statements, the Enterprise has systematically revalued its property and equipment, in the previous years, by applying official uniformed revaluation coefficient based on the manufacturer's price increase index. In our opinion, this method of revaluation, does not comply with IAS 16, which requires property and equipment to be measured at cost less for any accumulated depreciation or by up to date fair value estimated by professional and qualified valuers. Owing to the fact that the Enterprise did not prepared the required information for the PPE fair value according to IAS, we were not able to obtain reasonable assurance as to their valuation.

As it is presented in Note 19 to the financial statements, as at 31 December 2013, the Enterprise has construction in progress in amount of 8,794,507 thousands of MKD which include constructions on several road sections in Republic of Macedonia and also include constructions in progress which are still not activated as an asset and not depreciated due to the lack of documentation despite of the fact that they are in use. Because of the previous, we were not able to obtain reasonable assurance as to presented construction in progress and the calculated depreciation for the year.

Qualified opinion

In our opinion, except for the effects described in the preceding paragraph "Basis for qualified opinion", if any, the financial statements present fairly, in all material respects, the financial position of the Enterprise for state roads as of 31 December 2013, and of its financial performance and its cash flows for the year then ended in accounting standards which are accepted in the Republic of Macedonia.

Emphasis of matter

Without further qualifying our opinion, we draw attention to Note 27 to the financial statements, according to which the Enterprise has been sued in several court proceedings in total amount of 924,050 thousands of MKD, out of which the largest proceedings are damage claims from ADG Mavrovo in bankruptcy in amount of 641,130 thousands of MKD. As at 31 December 2013, the Enterprise has made provision in amount of 145,124 thousands of MKD for those contingent liabilities which are estimated for loss probability, while for the others in amount of 778,926 thousands of MKD there is no provision as, at this stage, there is no possibility for reasonable estimation of the outcome of these court procedures due to the duration and uncertainty of the said legal proceedings.

**INDEPENDENT AUDITOR'S REPORT (Continued)
TO THE
MANAGEMENT OF THE
PUBLIC ENTERPRISE FOR STATE ROADS**

Other matters

Financial statements for the year ended 31 December 2012 were audited by another auditor who has issued qualified opinion with emphasis of matter in its Auditors report from 2 of November 2013.

Skopje, 17 June 2014

Certified Auditor

Goce Hristov

Manager and Certified Auditor

Antonio Veljanov

PUBLIC ENTERPRISE FOR STATE ROADS
STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December

	Note	2013 (000) MKD	2012 (000) MKD
Revenues	8	4,159,586	3,365,674
Other income	9	182,276	162,073
		4,341,862	3,527,747
Costs for basic activities	10	(977,504)	(1,083,858)
Depreciation		(1,354,161)	(1,317,614)
Employees costs	11	(146,578)	(58,563)
Other costs	12	(384,811)	(139,598)
Provisions	27	(96,085)	-
OPERATING PROFIT		1,382,723	928,114
Financing income	13	34,169	-
Financing expenses	14	(183,266)	(262,244)
PROFIT BEFORE TAXATION		1,233,626	665,870
Income tax		(107)	-
NET PROFIT		1,233,519	665,870
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		1,233,519	665,870

Skopje, 28.02.2014


 Acting Director
 Ljupco Georgievski

 APPROVED 

PUBLIC ENTERPRISE FOR STATE ROADS
STATEMENT OF FINANCIAL POSITION as at 31 December

	Notes	2013 (000) MKD	2012 (000) MKD
ASSETS			
Current assets			
Cash and cash equivalents	15	178,248	249,863
Loans given	17	14,010	17,184
Other current assets and prepaid expenses		2,023	14,503
Inventories	16	1,061	564
Total current assets		195,342	282,114
Non-Current assets			
Loans given	17	132,813	153,126
Advances for Property and Equipment	18	256,168	289,124
Intangible assets	20	1,828	-
Property and Equipment	19	50,878,204	49,383,521
Total Non-current assets		51,269,013	49,825,771
TOTAL ASSETS		51,464,355	50,107,885
LIABILITIES AND EQUITY			
Current liabilities			
Trade Payables	21	644,672	475,814
Current maturities of long term interest bearing borrowings	24	1,206,337	1,037,179
Other short term liabilities	22	61,413	40,052
Provisions	27	145,124	-
Total Current liabilities		2,057,546	1,553,045
Non-Current liabilities			
Government grants (deferred income)	23	580,538	594,062
Long term interest bearing borrowings	24	8,676,726	9,033,983
Total Non-Current liabilities		9,257,264	9,628,045
Total liabilities		11,314,810	11,181,090
Equity			
State owned capital	25	5,000	19,973,671
Revaluation reserve		9,796,453	9,796,453
Accumulated profit (loss)		30,348,092	9,156,671
Total equity		40,149,545	38,926,795
TOTAL LIABILITIES AND EQUITY		51,464,355	50,107,885

PUBLIC ENTERPRISE FOR STATE ROADS
CASH FLOW STATEMENT for the year ended at 31 December

	2013	2012
	(000) MKD	(000) MKD
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflows from allowances	4,159,586	3,365,674
Cash inflows from other operating activities	172,174	130,611
Payments to suppliers for basic activities	(950,758)	(1,078,063)
Paid wages	(146,656)	(58,563)
Payments for other operating expenses	(395,866)	(135,325)
Received interest	4,656	-
	2,843,136	2,224,334
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans given to other entities	23,487	(43,794)
Acquisition of intangible assets	(2,203)	-
Acquisition of property and equipment	(2,621,725)	(2,091,059)
Paid advances for property and equipment	32,956	31,661
	(2,567,485)	(2,103,192)
CASH FLOWS FROM FINANCING ACTIVITIES		
Paid interest	(184,002)	(218,481)
Repaid long-term borrowings	(163,264)	184,355
	(347,266)	(34,126)
Net cash flow from financing activities	(347,266)	(34,126)
Net increase (decrease) of cash and cash equivalents	(71,615)	87,016
Cash and cash equivalents at the beginning of the year	249,863	162,847
Cash and cash equivalents at the end of the year	178,248	249,863

PUBLIC ENTERPRISE FOR STATE ROADS
STATEMENT OF CHANGES IN EQUITY for the year ended at 31 December

Changes during 2012 and 2013 are as follows:

	<u>State owned capital</u>	<u>Revaluation reserve</u>	<u>Accumulated profit (loss)</u>	<u>Total equity</u>
In (000) MKD				
Balance as at 1 January 2012	19,973,671	8,204,819	8,486,593	36,665,083
Profit (loss) for the year	-	-	665,870	665,870
Revaluation reserve for the year	-	2,399,588	-	2,399,588
Adjustment of revaluation from 2011	-	(807,954)	-	(807,954)
Other	-	-	4,208	4,208
Balance as at 31 December 2012	19,973,671	9,796,453	9,156,671	38,926,795
Balance as at 1 January 2013	19,973,671	9,796,453	9,156,671	38,926,795
Transfer to liabilities	-	-	(11,094)	(11,094)
Reconciliation with the registration	(19,968,671)	-	19,968,671	-
Balance as at 1 January 2013 - restated	5,000	9,796,453	29,114,248	38,915,701
Profit (loss) for the year	-	-	1,233,519	1,233,519
Revaluation reserve for the year	-	-	-	-
Other	-	-	325	325
Balance as at 31 December 2011	5,000	9,796,453	30,348,092	40,149,545

PUBLIC ENTERPRISE FOR STATE ROADS NOTES TO THE FINANCIAL STATEMENTS

1. Basic information and activity

The Public enterprise for state roads, previous Agency for state roads ("The Enterprise") was founded according to the Law on Public Enterprises and it is engaged in managing, maintenance, repairs, development and improvement of the state (national and regional) roads in the Republic of Macedonia.

Specifically, the Enterprise is engaged in the following activities:

- management with the state roads;
- development, maintenance, follow-up and monitoring of state roads;
- investment activities relating to public roads;
- encumber with debts in domestic and foreign financial institutions for financing of its activities and
- other activities relating to the Law.

According to the Law on Public Roads, the financing of the Enterprise activities is provided with the following allowances:

- transfers from the State Budget (part of the oil derivatives tax);
- allowances for motor vehicles utilization of public roads, which is collected by vehicles registration;
- allowances for utilization of national and regional roads (pay toll);
- allowances for advertising billboards, connecting of access roads to state roads, setting of installations on roads, construction and using of commercial premises on state roads, over usage of state roads, extraordinary transport, claims for damages on roads;
- borrowings and loans and
- other allowances according to the Law;

Total number of employees of the Enterprise as at 31 December 2013 is 319 employees (2012: 320 employees).

The Enterprise head office is at St. Dame Gruev No.14 in Skopje.

2. Basis of preparation of the financial statements

2.1. Basis of preparation

The financial statements set on pages 4 to 30 are prepared in accordance with the International Financial Reporting Standard (IFRS) which were published in the Official gazette of the Republic of Macedonia No.159/2009 and became effective from 1 January 2010.

The financial statements were prepared for the period ending 31 December 2013 and 2012. The figures for the current and the previous period are shown in thousands of Macedonian denars (000 MKD). Where appropriate, comparative figures have been adjusted and harmonized, in order to match the current year presentation.

2.2. Basic accounting methods

The financial statements are prepared based on the principal of cost.

2.3. Accounting estimates and judgements

The Enterprise is applying certain accounting estimates and judgments during the process of preparation of the financial statements. Certain items in the financial statements, which can not to be accurately measured, are estimated. The estimation process includes judgments based on the latest available information.

Estimates are used in determining the useful life's of assets, fair value of receivables or their uncollectibility, inventory obsolesce, fair value of investments available for sale etc.

During the periods, certain estimates can be revised if there are changes in the circumstances on which the estimation was based or as a result of new information, grater experience and subsequent events.

The effects of the changes in the accounting estimates are included in the net profit or loss for the period as well as in the future periods on which the change takes effect or the both.

2.4. Going concern concept

The financial statements are prepared based on the going concern concept which means that the Enterprise will continue to operate in the future on a continuing basis. The Enterprise has neither intention nor need to liquidate or restrict significantly the scope of its operations.

3. Basic accounting policies and estimates

3.1. Recognition of revenues

Revenues are recognized when there is a probability for future inflows for the Enterprise and when it can be measured reliably. Enterprise's revenues are benefits received during the period which are provided in the normal course of business and result in equity increase.

The Enterprise revenues arise from the allowances according to the Law on Public Roads, mentioned in Note 1.

Interest income is recognized on a time basis, by reference of the principal outstanding and at the effective interest rate applicable.

3.2. Recognition of expenses

Expenses are recognized when there is a probability for future outflows, connected with decrease of certain asset or increase of liability for the Enterprise and when it can be measured reliably. Expenses are recognized on the basis of matching concept meaning connection between the realized expenses and earning of revenues.

3.3. Foreign currencies

The Enterprise is keeping records and preparing financial statements in Macedonian denars (MKD). Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. All assets and liabilities in foreign currencies are translated and shown in the financial statements at exchange rate ruling at the end of the year.

Foreign exchange gains and losses arising from translation of foreign currency assets and liabilities during the year are included in the income statement as financing income or expenses.

Most of the Enterprise's transactions are in Euro's (EUR). The exchange rates ruling at 31 December in 2013 and 2012 for EUR are as it follows:

In MKD	1 EUR
31 December 2013	61.5113 MKD
31 December 2012	61.5000 MKD

3. Basic accounting policies and estimates (Continued)

3.4. Cash and cash equivalents

Cash and cash equivalents are carried out in the balance sheet at cost. For the purposes of these financial statements, cash and cash equivalents are comprised of cash in hand, cash in banks denar and foreign currency accounts, demand deposits and time deposits with maturity up to three months.

3.5. Receivables for advances

Receivables for advances are carried out at their nominal value, less for provision for bad and doubtful receivables and are consist of advances to contractors for day-to-day and investment maintenance.

3.6. Inventories

Inventories are valued at the lower of cost and net realizable value. Cost includes all costs to bring the inventories to their present condition and location.

Net realisable value is selling price less cost to complete the inventory and sell it.

3.7. Advances for property and equipment

Advances for property and equipment are comprised of payments in advance to suppliers for fixed assets (construction companies) and are stated at their nominal value, less impairment losses.

3.8. Property and equipment

(1) Basic presentation

Initially, property and equipment are carried out at cost. Cost includes invoiced value and all other costs to bring the fixed assets to their present condition and location.

Subsequently, until 2012, property and equipment were revalue at each year-end using uniformed prescribed revaluation coefficient based on the manufacturer's price increase index which is applied to historical cost or later revaluations and to the accumulated depreciation and which is published by the State statistics office. Starting form 01.01.2013 this type of revaluation is no longer calculated.

The effects of revaluation of property and equipment are credited to revaluation reserves. The depreciation is charged on the previous year's re-valued property and equipment figures commencing with the following year.

3. Basic accounting policies and estimates (Continued)

3.8. Property and equipment (Continued)

(2) Depreciation

Depreciation is charged on a straight-line basis at prescribed rates to allocate the revalue cost of the property and equipment over their estimated useful lives. Depreciation is not charge to the property and equipment in progress until they are put in to use.

The basic depreciation annual rates used in 2013 compare to 2012 are as follows:

Asset	2013	2012
Property	1 %	1 %
National Roads (motorways)	7 %	7 %
Regional Roads	3 %	3 %
Computer equipment	20 %	20 %
Other equipment	12 %	12 %
Motor vehicles	15 %	15 %

3.9. Trade payables

Trade payables are stated at their nominal value (cost).

Trade payables are written off by crediting other revenues, after the expiration of the legal maturity period or by off-court agreement between parties.

3.10. Interest bearing borrowings

The amounts shown as interest bearing borrowings represent loans from domestic and foreign banks or financial institutions and initially are stated at their nominal value which represents fair value of the benefit received.

Subsequently, interest-bearing borrowings are measured at amortized cost using the effective interest rate method. The Agency has made no measurement of the amortized cost of the borrowings and since that they are presented at cost.

Matured and unpaid liabilities are transferred to short-term borrowings. Details of the movements on long-term interest bearing borrowings are set-out in note 24 to the financial statements.

3. Basic accounting policies and estimates (Continued)

3.11. State-owned capital

The state-owned capital as at 31 December 2012 represents the state capital of the Enterprise in amount of 38,926,796 thousands of MKD.

Changes in the state-owned capital till 31 December 2012 comprise of revaluation reserves from revaluation of the property, plant and equipment, realized profits and losses, revaluation adjustments and other corrections.

As at 01.01.2013 the former Agency for state roads has been transformed into Public Enterprise for State Roads with basic capital in amount of 5,000 thousands of MKD in cash. Based on this, adjustment in the amount of basic capital has been made.

Owner of the Enterprise is the Government of the Republic of Macedonia. The assets for the basic capital arise from the cash on the bank accounts of the Agency for state roads which were balance on the opening date of the Enterprise account.

3.12. Provisions

Provisions (uncertain liabilities) are recognized when the Enterprise has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, for example through insurance agreements, the reimbursement is recognized as an asset when, and only when, it is virtually certain that the reimbursement will be received. The expense relating to a provision is presented in the income statement net of the amount recognized for a reimbursement. Where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation using pre-tax rates that reflects current market assessments.

3.13. Contingencies

Contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Enterprise. Contingent liability is not recognized in the financial statements, only are disclosed.

Contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Enterprise. Contingent asset are recognized only when the realization of income is virtually certain.

3. Basic accounting policies and estimates (Continued)

3.14. Government grants (deferred income)

Government grants are recognized when there is reasonable assurance that the grants will be received and the entity will comply with the grant conditions. Government grants related to assets are presented in the balance sheet at the nominal value and are recognized in the income statement over the life of a depreciable asset.

3.15. Income tax (current and deferred)

Current income tax is calculated according to the regulations of the Republic of Macedonia. According to the changes in the tax regulations, the current income tax is calculated on the basis comprised of expenses not recognized for taxation purposes (taxable expenses), less reported revenues with related parties and in case of profit distribution for dividends on persons and non-residents.

Income tax is calculated by applying the applicable tax rate at the balance sheet date of 10% (2012:10%).

Deferred tax is provided using the balance sheet liability method for all temporary differences arising at the balance sheet date between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

4. Risk management

The Enterprise is engaged in different kind of business transactions which derive from its daily activities and which are connected with the customers, suppliers and creditors. The main financial risks to which the Enterprise is exposed during its business and the policies for their management are the following:

4.1. Market risk

Foreign exchange risk

The Enterprise does enter in transactions denominated in foreign currencies, which arise from borrowings in foreign currencies and therefore the Enterprise is exposed to foreign currency risk. The Enterprise has no special policy to avoid this kind of risk as there are no financial instruments in Republic of Macedonia. According to this, the Enterprise is exposed to possible foreign currencies rates fluctuations, whose effect is reported below.

4.2. Interest rate risk

The Enterprise is exposed to risk of interest rate fluctuation, which relates to the loans, borrowings or bank deposits concluded with variable interest rates. The Enterprise is exposed to this kind of risk through used these kinds of borrowings and loans which depends on movements on financial markets and the Enterprise does not hedge against it.

4.3. Liquidity risk

Liquidity risk includes the risk of being unable to fund its liabilities at appropriate maturities with its cash. This kind of risk is managed by maintaining sufficient cash for regular funding of its committed credit facilities.

4.4. Taxation risk

According to local legislation, the tax authorities may at any time inspect the books and records subsequent to the reported tax year, and may impose additional tax assessments. Up to the date of the Auditors report, inspection for income tax, personnel income tax and contributions on allowances for period 2013 is not yet executed and therefore additional taxes or contributions cannot be assessed reliably.

PUBLIC ENTERPRISE FOR STATE ROADS
NOTES TO THE FINANCIAL STATEMENTS

5. Fair value estimation

The Enterprise has financial assets and liabilities, as well as non-financial assets, for which large number of accounting policies and disclosures require establishing of their fair value.

The fair value of financial assets and liabilities generally approximate their carrying amount as most of them have maturity up to one year of the balance sheet date, except for the long-term borrowings, but these liabilities have variable interest rates and therefore it can be considered that their fair value generally approximate their carrying amount.

6. Financial instruments

6.1. Capital risk management

The Enterprise uses long-term loans to finance its operations, in order to provide adequate return of investments. The Enterprise reviews its leverage on a regular basis which as at 31 December 2013 and 2012 is as it follows:

	<u>2013</u>	<u>2012</u>
Debt	9,883,063	10,071,162
Cash and cash equivalents	(178,248)	(249,863)
Net debt (cash)	9,704,815	9,821,299
Total equity	40,149,545	38,926,795
% of debt	24%	25%

6.2. Foreign currency risk

The Enterprise does enter into transactions in foreign currencies, by using loans in foreign currencies and therefore the Enterprise is exposed to foreign currency risk.

The carrying amount of the financial assets and liabilities denominated in foreign currencies as at 31 December 2013 and 2012 is as follows:

	Assets		Liabilities	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
EUR	265,824	322,634	9,911,906	10,105,419
USD	214	-	-	-
other	494	-	-	-
	<u>266,532</u>	<u>322,634</u>	<u>9,911,906</u>	<u>10,105,419</u>

The Enterprise generally is exposed to EUR. Exposure to foreign currencies at financial liabilities includes loan liabilities from banks with FX clause which repayment in MKD currency depends from the movement of the official exchange rates.

PUBLIC ENTERPRISE FOR STATE ROADS
NOTES TO THE FINANCIAL STATEMENTS

6. Financial instruments (Continued)

6.2. Foreign currency risk (Continued)

The sensitivity analysis below has been determined based on the 10% increase or decrease of the Macedonian Denar (MKD) related to the foreign currencies. The analysis has been done based on the carrying amounts of the assets and liabilities denominated in foreign currency at the balance sheet date. A positive number below indicates an increase in profit and equity and negative number below indicates a decrease.

	+ 10%		- 10%	
	2013	2012	2013	2012
EUR	(964,608)	(978,279)	964,608	978,279
USD	21	-	(21)	-
other	49	-	(49)	-
Net effect	(964,537)	(978,279)	964,537	978,279

6.3. Interest rate risk

The Enterprise is exposed to interest risk arising from deposits and borrowings from banks and other entities, with a variable interest rate clause.

The carrying amount of the financial assets and liabilities according to their exposure to interest risk at the end of the year is as follows:

	31 December	
	2013	2012
Financial assets		
<i>Non-interest bearing:</i>		
- Cash and cash equivalents	865	507
- Other assets	251	12,710
	1,116	13,217
<i>Variable interest bearing :</i>		
- Given loans	146,823	170,310
- Cash and cash equivalents	177,383	249,356
	324,206	419,666
	325,322	432,883
Financial liabilities		
<i>Non-interest bearing:</i>		
- Trade payables	644,672	475,814
- Other current liabilities	61,413	40,052
	706,085	515,866
<i>Variable interest bearing:</i>		
- Borrowings	9,883,063	10,071,162
	9,883,063	10,071,162
	10,589,148	10,587,028

PUBLIC ENTERPRISE FOR STATE ROADS
NOTES TO THE FINANCIAL STATEMENTS

6. Financial instruments (Continued)

6.3. Interest rate risk (Continued)

The sensitivity analysis below has been determined based on the exposure to interest rates as a result of a 2% points increase or decrease for the bank deposits and borrowings at the balance sheet date. A positive number below indicates an increase in profit and equity and negative number below indicates a decrease.

	plus 2% points		less 2% points	
	2013	2012	2013	2012
Borrowings	(197,661)	(201,423)	197,661	201,423
Bank deposits	2,936	3,406	(2,936)	(3,406)
Net effect	(194,725)	(198,017)	194,725	198,017

6.4. Liquidity risk

The following table details the Enterprise's remaining contractual maturity for its financial assets and liabilities as at 31 December 2013:

	Less than 1 month	1 to 3 month	3 to 12 month	Over 12 months	Total
Cash	178,248	-	-	-	178,248
Given loans	-	-	14,010	132,813	146,823
Other receivables	251	-	-	-	251
	178,499	-	14,010	132,813	325,322
Trade payables	644,672	-	-	-	644,672
Borrowings	-	-	1,206,337	8,676,726	9,883,063
Other payables	61,413	-	-	-	61,413
	706,085	-	1,206,337	8,676,726	10,589,148

**PUBLIC ENTERPRISE FOR STATE ROADS
NOTES TO THE FINANCIAL STATEMENTS**

6. Financial instruments (Continued)

6.4. Liquidity risk

The following table details the Enterprise's remaining contractual maturity for its financial assets and liabilities as at 31 December 2012:

	Less than 1 month	1 to 3 month	3 to 12 month	Over 12 months	Total
Cash	249,863	-	-	-	249,863
Given loans	-	-	17,184	153,126	170,310
Other receivables	12,710	-	-	-	12,710
	262,573	-	17,184	153,126	432,883
Trade payables	475,814	-	-	-	475,814
Borrowings	-	-	1,037,179	9,033,983	10,071,162
Other payables	40,052	-	-	-	40,052
	515,866	-	1,037,179	9,033,983	10,587,028

7. Segment reporting

The Company does not have any segment reporting as it has no obligation for such reporting neither is divided in separate business or geographical segments.

8. REVENUES FROM ALLOWANCES

The revenues from allowances realized according to their types, is as follows:

	2013 (000) MKD	2012 (000) MKD
Revenue from petrol price (State Budget transfers)	1,909,728	1,235,000
Revenue from highway utilization pay-toll	1,378,521	1,152,805
Revenue from motor vehicles registration	871,337	977,869
Total revenues from allowances	4,159,586	3,365,674

9. OTHER OPERATING INCOME

The other operating income realized according to types, is as follows:

	2013 (000) MKD	2012 (000) MKD
Income from compensations by other entities	157,395	140,063
Income from free of charge assets (Note 19)	22,582	21,156
Other income	2,299	854
Total other operating income	182,276	162,073

Income from compensations by other entities in major part include collected income from activated bank guarantees (performance) guarantees) from the construction companies in total amount of 132,575 thousands of MKD.

10. COST FOR BASIC ACTIVITIES

The cost for basic activities realized according to their types, is as follows:

	2013 (000) MKD	2012 (000) MKD
Expenses for road reconstruction and maintenance	677,504	783,858
Transfer of allowances to local communities	300,000	300,000
Total cost for basic activities	977,504	1,083,858

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11. COSTS FOR EMPLOYEES

The costs for employees realized according to their types, are as follows:

	2013 (000) MKD	2012 (000) MKD
Employees wages	145,676	58,239
Business travel allowances	902	324
Total	146,578	58,563

12. OTHER OPERATING EXPENSES

The other operating expenses realized according to their types, are as follows:

	2013 (000) MKD	2012 (000) MKD
Expenses for court litigations	136,094	-
Expenses for monitoring and security of pay tolls	61,456	-
Bank fees	21,446	-
Material costs	12,887	3,403
Public utility services	43,553	36,345
Expenses for motor vehicles association fees	38,569	72,695
Other services	16,532	8,463
Maintenance expenses	43,717	9,987
Representation	746	689
Insurance costs	586	129
Other operating expenses	9,225	7,887
Total other operating expenses	384,811	139,598

Expenses for court litigations in amount of 136,094 thousands of MKD comprise of payments to PE Makedonija pat in amount of 96,490 thousands of MKD based on lost litigations for debts from previous years as well as payments to the Council for traffic safety in amount of 39,604 thousands of MKD based on lost litigation process.

13. FINANCING INCOME

The financing income realized according to their types, are as follows:

	2013 (000) MKD	2012 (000) MKD
Interest income	4,656	-
Gains on exchange	29,513	-
Total financing income	34,169	-

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14. FINANCING EXPENSES

The financing expenses realized according to their types, are as follows:

	2013 (000) MKD	2012 (000) MKD
Interest expenses from borrowings	178,532	252,738
Penal interest	56	-
Loss on exchanges	4,678	9,506
Total financing expenses	183,266	262,244

The interest expenses according to the creditors, are as follows:

	2013 (000) MKD
IBRD	10,530
EBRD - local and regional roads	5,272
EIB I	47,603
EIB II	96,564
EBRD - ring road	18,563
Total interest expenses	178,532

15. CASH AND CASH EQUIVALENTS

The cash and cash equivalents as at 31 December consist of the following:

	2013 (000) MKD	2012 (000) MKD
Denar accounts at domestic banks	57,735	97,032
Cash in hand	804	507
Foreign currency accounts at domestic banks	14,815	-
Cash in hand - foreign currency	61	-
Foreign exchange accounts at Sparkasse bank / NBRM	104,833	152,324
Total cash and cash equivalents	178,248	249,863

Foreign exchange accounts with Sparkasse Bank Makedonija AD (2012: the National Bank) as at 31 December are comprised of withdrawn but still not used cash from foreign creditors and are as follows:

Account (SA) for IBRD Loan	70,530	1,902
Account (SA) for EBRD Loan	34,303	150,422
Total	104,833	152,324

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16. INVENTORIES

Inventories as at 31 December consist of the following:

	2013 (000) MKD	2012 (000) MKD
Materials	1,061	564
Total inventories	1,061	564

17. LOANS GIVEN

Loans given to others as at 31 December consist of the following:

	2013 (000) MKD	2012 (000) MKD
<i>Loans to:</i>		
JP Macedonian Railways	54,318	62,070
Customs office of the RM	92,505	108,240
	146,823	170,310
Current portion of long term loans	(14,010)	(17,184)
Total loans given	132,813	153,126

Loans given in amount of 146,823 thousands of MKD (2012: 170,310 thousands of MKD) comprise of disbursed fund by the Enterprise from the loan IBRD 4859 MK and at the same time placed to JP Macedonian Railways and Customs Office according to the loan agreement articles.

18. ADVANCES FOR PROPERTY AND EQUIPMENT

Advances for property and equipment as at 31 December consist of the following:

	2013 (000) MKD	2012 (000) MKD
Advances given to:		
Alpine Podruznica Skopje	30,181	153,163
Prostor Kumanovo	-	52,652
Ilinden Struga	61,775	43,590
DG Beton AD Skopje	29,940	13,310
GD Granit AD Skopje	105,992	10,235
Elektrosoft Skopje	9,047	9,047
Safege Belgium	1,887	7,127
Sintek	6,746	-
Strabag Podruznica Skopje	8,289	-
Geing	2,311	-
Total advances for property and equipment	256,168	289,124

19. PROPERTY AND EQUIPMENT

Changes of property and equipment during 2013 are as follows:

	Buildings (000) MKD	Roads (000) MKD	Equipment (000) MKD	Construction in progress (000) MKD	Total (000) MKD
Cost or revaluation					
Balance as at 1 January	19,379	85,547,579	176,798	12,014,276	97,758,032
Additions	-	233,243	13,055	2,602,382	2,848,680
Transfer from P/E in progress	-	5,822,151	-	(5,822,151)	-
Write off	-	-	(5,148)	-	(5,148)
Revaluation	-	-	-	-	-
Balance as at 31 December	19,379	91,602,973	184,705	8,794,507	100,601,564
Accumulated depreciation					
Balance as at 1 January	8,554	48,198,658	167,299	-	48,374,511
Charge for the year	185	1,350,366	3,235	-	1,353,786
Write off	-	-	(4,937)	-	(4,937)
Revaluation	-	-	-	-	-
Balance as at 31 December	8,739	49,549,024	165,597	-	49,723,360
Carrying amount as at:					
31.December 2013	10,640	42,053,949	19,108	8,794,507	50,878,204
31.December 2012	10,825	37,348,921	9,499	12,014,276	49,383,521

Construction in progress as at 31 December 2013 in amount of 8,794,507 thousands of MKD (2012: 12,014,276 thousands of MKD) are comprised of investment in building up of national, regional and local roads.

During 2007, the Agency has made accounting activation of investments in construction, reconstruction and upgrading of several roads in total amount of 682,141 thousands of MKD which arise from realized projects in the previous years for construction of national and regional roads by the Ministry of transportation with transfers from the State Budget (Telecom assets).

20. INTANGIBLE ASSETS

Changes in 2013:

	Licenses and software (000) MKD	Other (000) MKD	Total (000) MKD
Cost			
Balance as at 1 January	-	-	-
Additions	1,634	569	2,203
Balance as at 31 December	1,634	569	2,203
Accumulated amortization			
Balance as at 1 January	-	-	-
Charge for the year	304	71	375
Balance as at 31 December	304	71	375
Carrying amount as at:			
31.December 2013	1,330	498	1,828
31.December 2012	-	-	-

21. TRADE PAYABLES

The trade payables as at 31 December consist of the following:

	2013 (000) MKD	2012 (000) MKD
Domestic payables for property and equipment and expenses	331,676	217,282
Domestic payables for retained deposits from	312,996	258,532
Total trade payables	644,672	475,814

Domestic trade payables for retained deposits to construction companies in amount of 312,996 thousands of MKD (2012: 258,532 thousands of MKD) arise from interim payment statement for building of roads and represent deposits to contractors as a security for quality performance, which are release at the end of the projects by adequate confirmation.

22. OTHER SHORT-TERM LIABILITIES

The other short-term liabilities as at 31 December consist of the following:

	2013 (000) MKD	2012 (000) MKD
	<u> </u>	<u> </u>
Liabilities for expropriation of land	14,621	5,692
Interest liabilities	28,843	34,257
Liabilities from vehicles registration	17,817	-
Liabilities for net wages	25	103
Income tax liabilities	107	-
Other	-	-
Total other short-term liabilities	<u>61,413</u>	<u>40,052</u>

23. GOVERNMENT GRANTS (DEFERRED INCOME)

Government grants as at 31 December consist of following:

	2013 (000) MKD	2012 (000) MKD
	<u> </u>	<u> </u>
Balance as at 1 January	594,062	602,061
Received grants during the period	9,058	13,157
Released to the income statement	(22,582)	(21,156)
Balance as at 31 December	<u>580,538</u>	<u>594,062</u>

The Government grants arise from accounting activation of investments in construction, reconstruction and upgrading of several roads realized by the Ministry of transportation with transfers from the State Budget (Telecom assets) in amount of 559,563 thousands of MKD.

These deferred income is amortized as income over the life of the depreciable assets commencing from date of their activation and put into use (01.01.2008).

The annual amount of deferred income is in amount of 22,582 thousands of MKD.

Grant from the EIB is grant for technical assistance for implementation of Project for construction of Corridor 10 (Demir Kapija - Smokvica road). These assets are aimed for consulting services to SAFEGE (Consulting Engineers Belgium) for implementation of Project for construction of Corridor 10 (Demir Kapija - Smokvica road) in amount of 20,975 thousands of MKD. The deferred income should be amortized commencing from the date of road activation.

24. LONG-TERM INTEREST BEARING BORROWINGS

a) Type analysis

<u>Bank or creditor</u>	<u>Currency</u>	<u>Principal outstanding 31.12.2013 in currency</u>	<u>Exchange rate 31.12.2013 MKD</u>	<u>Interest rate %</u>	<u>terms and period of repayment</u>	<u>Principal outstanding 31.12.2013 MKD (000)</u>	<u>Principal outstanding 31.12.2012 MKD (000)</u>
EIB I	EUR	21,085,714	61.5113	2.5 p/y	30 semiannually installments 15/10/2003 - 15/04/2018	1,297,010	1,584,943
EIB II	EUR	37,502,688	61.5113	3.62 p/y	36 semiannually installments 15/11/2006 - 15/05/2024	2,306,839	2,526,075
EBRD	EUR	16,363,636	61.5113	Libor +1	21 semiannually installments 20/09/2007 - 20/03/2018	1,006,549	1,230,000
IBRD 4859 MK	EUR	12,815,048	61.5113	Libor	24 semiannually installments 15/12/2012 - 15/06/2024	788,270	870,149
IBRD 7532 MK	EUR	50,177,002	61.5113	Libor	30 semiannually installments 15/09/2013 - 15/03/2028	3,086,453	2,875,995
EBRD	EUR	22,726,591	61.5113	Libor +1	2 semiannually installments 05/12/2012 - 05/06/2023	1,397,943	984,000
Total foreign currency borrowings						9,883,063	10,071,162
Minus: Current portion of long-term foreign currency borrowings (liabilities due in one year)						(1,206,337)	(1,037,179)
Total net foreign currency borrowings						8,676,726	9,033,983
Total long-term interest bearing borrowings						8,676,726	9,033,983

p/y = per year

24. LONG-TERM INTEREST BEARING BORROWINGS (Continued)

b) Changes during the year	2013
	MKD (000)
Balance as at 1 January	10,071,162
New borrowings	870,863
Repayment of principal	(1,025,680)
Losses (Gains) on exchange, net	(26,940)
Unused funds - repayment	(6,342)
Balance as at 31 December	9,883,063

c) Maturity of borrowings

	2013	2012
	(000) MKD	(000) MKD
In period of 1 year	1,206,337	1,037,179
In period of 1 to 3 years	2,518,613	2,220,430
Over 3 years	6,158,114	6,813,553
Total	9,883,063	10,071,162

25. EQUITY

As at 31 December 2013, the total equity of the Enterprise is in amount of 5,000 thousands of MKD and it is consist of cash share. Owner of the Enterprise is the Government of the Republic of Macedonia. The assets for the basic capital arise from the cash on the bank accounts of the Agency for state roads which were balance on the opening date of the Enterprise account. The capital is registered in the Central Registry of the Republic of Macedonia.

26. COMMITMENTS FROM LOAN AGREEMENTS

According to the concluded loan agreements with IBRD and EBRD, the Company is obliged to adhere to certain financial covenants during the whole period of Project realization, such as:

a) debt service coverage ratio - not less than 1.0

Debt service coverage ratio Means the ratio of (i) net Cash Flows Arising From Operating Activities for the 12 months preceding the date of calculation plus all interest charged on accrual basis during such period, minus those Cash Flows Arising From Operating Activities for such period which are applied during that period to acquiring long-term assets except to the extent financed by the Guarantor, to (ii) the sum of the principal repayment and all interest charged on an accruals basis on all Financial Debt during such period

The following table presents the calculated ratio by periods:

Debt service coverage ratio	2013
	1.1

26. COMMITMENTS FROM LOAN AGREEMENTS (Continued)

b) Estimated net revenues / estimated debt service ratio - not less than 1.2

Estimated net revenues / estimated debt service ratio means the ratio of (i) net revenues as a difference between revenues from all sources related to operations plus non-operating income and all expenses related to operations, excluding depreciation, non cash operating charges and interest on debt to (ii) the aggregate amounts of repayments of, and interest and other charges, on debt.

The following table presents the calculated ratio by periods:

	Forecast 2014	Actual 2013
Estimated net revenues / estimated debt service ratio	<u>1.6</u>	<u>2.4</u>

c) current ratio - not less than 1

Current ratio means the ratio of (i) current assets including estimated net revenues for the next year to (ii) the current liabilities.

The following table presents the calculated ratio by periods:

	2013
Current ratio	<u>1.3</u>

27. CONTINGENCIES AND PROVISIONS

The contingencies are recorded and shown in the financial statements only if a probability for future outflows of funds that include economic benefits and a possibility for reasonable estimate of the amount exist. Provisions are liabilities with uncertain time and amount. Provisions are recognized as liabilities, while contingencies are only disclosed.

a) Court procedures (contingencies)

The Enterprise is involved in routine legal proceedings with its clients. The list of court procedures against the Enterprise are as follows:

Basis:	(000) MKD
Debts	755,970
Expropriation of land	66,875
Claims for damages	40,856
Other	60,349
Total	924,050

Above mentioned amounts do not include interest.

Court litigations include the largest proceeding from ADG Mavrovo in bankruptcy in amount of 641,130 thousands of MKD for damage claims.

b) Provisions

Based on the previous court litigations, the Enterprise has made provision in amount of 145,124 thousands of MKD for those contingent liabilities which are estimated for loss probability, out of which 96,085 thousands of MKD are recorded as expenses as they arise from damage claims and 49,039 thousands of MKD are recorded as assets as they arise from claims for land expropriation.

28. POST BALANCE SHEET EVENTS

There were no materially significant events after the balance sheet date that should be disclosed in the financial statements, except for the following:

The Enterprise has given two new advances for construction of new road sections Sv.Nikole - Stip and Kicevo - Ohrid in total amount of 590,344 thousands of MKD from its own funds.