

**PUBLIC ENTERPRISE  
FOR STATE ROADS**

**INDEPENDENT AUDITOR'S REPORT AND  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDING  
31 DECEMBER 2021**

**Skopje, June 2022**

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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 2021, 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 North 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 which are accepted and published in the Official gazette of the Republic of North Macedonia (79/2010). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**INDEPENDENT AUDITOR'S REPORT (Continued)  
TO THE  
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 20 to the financial statements, as at 31 December 2021, the Enterprise has capitalized foreign exchange losses, arising from payment in USD currency to one of the contractors of the projects in amount of 835,828 thousands of MKD as construction in progress and amount of 720,407 thousands of MKD as roads. This type of recording was carried out in accordance with the Report and the requirement of the State Audit Office. According to our opinion and the IAS accepted in Republic of North Macedonia (IAS 16; IAS 23 and IAS 21), there is no possibility for capitalization of foreign exchange differences arising from the settlement of liabilities in foreign currency into the cost of the assets. They should be recognized in the current profit or loss. According to the previous, the current profit is overstated for an amount of 55,197 thousands of MKD, as well as the cost of construction in progress and roads. Our report for the financial statements for the previous year was also qualified for the same reason for the amount of 119,798 thousands of MKD.

As it is presented in Note 20 to the financial statements, as at 31 December 2021, the Enterprise has construction in progress in municipality roads in amount of 4,227,687 thousands of MKD which are financed under IBRD and EBRD Loans for the Project for improvement of current regional and municipality roads. Municipality roads which are in jurisdiction of the municipalities should be transferred to them after its construction completion and technical acceptance i.e. financial transfer of these municipality roads should be done. These roads are still recorded in the financial evidence of the Enterprise. Because of the previous, we were not able to obtain reasonable assurance as to presented construction in progress.

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

*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 2021, and of its financial performance and its cash flows for the year then ended in accounting standards which are accepted in the Republic of North Macedonia.

Skopje, 29 June 2022

**Certified Auditor**

Kostadinka Kitanoska



**Manager and Certified Auditor**

Antonio Veljanov



**PUBLIC COMPANY FOR STATE ROADS**  
**INCOME STATEMENT for the year ended at 31 December**

	Notes	2021 (000) MKD	2020 (000) MKD
Revenues from allowances	8	8,168,956	6,803,658
Other income	9	157,859	157,655
		<b>8,326,815</b>	<b>6,961,313</b>
Costs from basic activities	10	(1,423,065)	(1,268,014)
Depreciation		(1,957,223)	(2,066,045)
Employees costs	11	(273,705)	(244,090)
Other costs	12	(718,374)	(671,422)
Provisions		(66,532)	(57,285)
<b>OPERATING PROFIT</b>		<b>3,887,916</b>	<b>2,654,457</b>
Financing income	13	699,351	3,022,065
Financing expenses	14	(3,106,233)	(884,968)
<b>PROFIT BEFORE TAXATION</b>		<b>1,481,034</b>	<b>4,791,554</b>
Income tax	22	(7,358)	(195,894)
<b>NET PROFIT</b>		<b>1,473,676</b>	<b>4,595,660</b>
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>1,473,676</b>	<b>4,595,660</b>

Skopje, 22.03.2022

Director  
Ejup Ristevski

**PUBLIC COMPANY FOR STATE ROADS**  
**BALANCE SHEET as at 31 December**

	<b>Notes</b>	<b>2021</b> <b>(000) MKD</b>	<b>2020</b> <b>(000) MKD</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	15	2,193,562	1,191,198
Loans given (Current part)	17	13,708	13,728
Income tax receivables and other current assets	19	204,188	164,559
Accrued income		55,122	7,015
Inventories	16	1,671	1,503
<b>Total current assets</b>		<b>2,468,251</b>	<b>1,378,003</b>
<b>Non-Current assets</b>			
Loans given	17	21,010	35,054
Advances for Property and Equipment	18	1,864,041	2,140,878
Intangible assets	21	1,159	8,763
Property and Equipment	20	110,640,017	104,350,139
<b>Total Non-current assets</b>		<b>112,526,227</b>	<b>106,534,834</b>
<b>TOTAL ASSETS</b>		<b>114,994,478</b>	<b>107,912,837</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Trade Payables	22	2,405,708	2,629,063
Current maturities of long term interest bearing borrowings	25	4,754,425	3,498,368
Other liabilities	23	376,243	369,622
Provisions	28	209,063	193,956
<b>Total Current liabilities</b>		<b>7,745,439</b>	<b>6,691,009</b>
<b>Non-Current liabilities</b>			
Government grants (deferred income)	24	1,892,655	2,013,324
Long term interest bearing borrowings	25	43,973,023	39,298,819
<b>Total Non-Current liabilities</b>		<b>45,865,678</b>	<b>41,312,143</b>
<b>Total liabilities</b>		<b>53,611,117</b>	<b>48,003,152</b>
<b>Equity</b>			
State owned capital	26	5,000	5,000
Revaluation reserves		9,796,453	9,796,453
Accumulated profit (loss)		51,581,908	50,108,232
<b>Total equity</b>		<b>61,383,361</b>	<b>59,909,685</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>114,994,478</b>	<b>107,912,837</b>

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

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	<b>2021</b>	<b>2020</b>
	<b>(000) MKD</b>	<b>(000) MKD</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash inflows from allowances	8,120,849	6,807,719
Cash inflows from other operating activities	(2,606)	233,908
Payments to suppliers for basic activities	(1,431,762)	(1,278,239)
Paid wages	(273,705)	(244,090)
Payments for other operating expenses	(718,336)	(671,318)
Paid income tax	(7,358)	(195,894)
Received interest	4,511	17,743
	<hr/>	<hr/>
<b>Net cash flow from operating activities</b>	<b>5,691,593</b>	<b>4,669,829</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Loans given/collected to other entities	14,064	13,962
Acquisition of intangible assets	(603)	(754)
Acquisition of PPE	(8,529,166)	(7,675,875)
Paid advances for PPE, net	276,837	492,251
	<hr/>	<hr/>
<b>Net cash flow from investing activities</b>	<b>(8,238,868)</b>	<b>(7,170,416)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Profit payouts	-	-
Paid interest	(267,902)	(319,427)
Received/Repaid long-term borrowings, net	3,817,541	1,977,441
	<hr/>	<hr/>
<b>Net cash flow from financing activities</b>	<b>3,549,639</b>	<b>1,658,014</b>
<b>Net increase (decrease) of cash and cash equivalents</b>	<b>1,002,364</b>	<b>(842,573)</b>
<b>Cash and cash equivalents at the begging of the year</b>	<b>1,191,198</b>	<b>2,033,771</b>
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the year</b>	<b>2,193,562</b>	<b>1,191,198</b>



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

	<u>State owned capital</u> (000) MKD	<u>Revaluation reserve</u> (000) MKD	<u>Reinvested profit</u> (000) MKD	<u>Accumulated profit (loss)</u> (000) MKD	<u>Total equity</u> (000) MKD
<b>Balance as at 1 January 2020</b>	5,000	9,796,453	2,499,258	43,013,314	55,314,025
Adjustments	-	-	-	-	-
<b>Balance as at 1 January 2020 - restated</b>	<b>5,000</b>	<b>9,796,453</b>	<b>2,499,258</b>	<b>43,013,314</b>	<b>55,314,025</b>
Profit (loss) for the year	-	-	-	4,595,660	<b>4,595,660</b>
Reinvested profit from previous year according to Board of Directors Decision and Government of RM approval	-	-	2,885,001	(2,885,001)	-
Utilized reinvested profit	-	-	(2,499,258)	2,499,258	-
<b>Balance as at 31 December 2020</b>	<b>5,000</b>	<b>9,796,453</b>	<b>2,885,001</b>	<b>47,223,231</b>	<b>59,909,685</b>
<b>Balance as at 1 January 2021</b>	<b>5,000</b>	<b>9,796,453</b>	<b>2,885,001</b>	<b>47,223,231</b>	<b>59,909,685</b>
Reconciliation	-	-	-	-	-
<b>Balance as at 1 January 2021</b>	<b>5,000</b>	<b>9,796,453</b>	<b>2,885,001</b>	<b>47,223,231</b>	<b>59,909,685</b>
Profit (loss) for the year	-	-	-	1,473,676	<b>1,473,676</b>
Reinvested profit from previous year according to Board of Directors Decision and Government of RM approval	-	-	4,595,660	(4,595,660)	-
Utilized reinvested profit	-	-	(2,885,001)	2,885,001	-
<b>Balance as at 31 December 2021</b>	<b>5,000</b>	<b>9,796,453</b>	<b>4,595,660</b>	<b>46,986,248</b>	<b>61,383,361</b>

**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 North 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 2021 is 483 employees (2020: 481 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 32 are prepared in accordance with the International Financial Reporting Standard (IFRS) which were published in the Official gazette of the Republic of North Macedonia No.159/2009 and became effective from 1 January 2010.

The financial statements were prepared for the period ending 31 December 2021 and 2020. 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. Basis of preparation of the financial statements**

### **2.4 Significant events**

Global pandemic declared by WHO in March 2020, caused by new corona virus (Covid-19) continued during the 2021 period. Implemented measures by the Government as a response to the outbreak, significantly have had an effect on the economic activities.

The Management implemented measures for tracking and diminishing the effects of Covid 19, including measures for the safety and health protection of employees and considers that it has an impact on the Enterprise's operations and results but not on liquidity. To alleviate the possessions of the pandemic, the Government adopted a Decision amending the Decision on determining the amount of funds from the excise tax on oil derivatives, which increases the percentage that the Ministry of Finance transfers to the Enterprise from 20% to 30%.

In 2021, the Enterprise had 68% profit decrease compared to the year before mostly due to increase of financing expenses (Loss on exchange) by 251% compared to the previous year. Revenues from allowances increased by 20% compared to the previous year due to the increased Revenue from highway utilization pay-toll (increased by 37% compared to the previous year). At the same time, total assets increased by 7% and the Enterprise records positive liquidity ratios (Note 6.4).

### **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. Given that the Enterprise was established to perform an activity of public interest, the Enterprise has neither intention nor need to liquidate or restrict significantly the scope of its operations.

Due to the significant event and considering the analyze of the impact of Covid 19 pandemic, described in the note 2.4, the Management believes that there is no material uncertainty which will jeopardize the continuity of the Enterprise's 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 EUR and USD. The exchange rates ruling at 31 December in 2021 and 2020 for EUR and USD are as it follows:

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<b>In MKD</b>	<b>1 EUR</b>	<b>1 USD</b>
31 December 2020	61.6270 MKД	54.3736 MKД
31 December 2019	61.6940 MKД	50.2353 MKД

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**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 2021 compare to 2020 are as follows:

<b>Asset</b>	<b>2021</b>	<b>2020</b>
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. Borrowings**

Borrowings represent short-term and long-term interest bearing borrowings stated at their nominal value. The amounts of the interest agreed are shown as financing expenses in the income statement and as short-term financial liabilities in the balance sheet.

Foreign interest bearing borrowings are stated at the exchange rate at 31<sup>st</sup> December, and losses or gains of exchange are stated as financial revenues or expenses.

Details of the movements on long-term interest bearing borrowings are set-out in note 25 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 North 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)**

Income tax for the year comprises current and deferred tax. Income tax is presented in the income statement of the Enterprise.

Current tax is calculated and paid in accordance with Macedonian law on income tax. According to tax legislation, the current income tax is calculated at 10% rate to financial result before taxation presented in the income statement, adjusted for non-deductible expenses and less recognized revenues from related parties (2020: 10%).

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. The tax rates that are currently valid are used in determination of deferred income tax.

#### **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 North 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 2021 is not yet executed and therefore additional taxes or contributions cannot be assessed reliably.

## 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 2021 and 2020 is as it follows:

In (000) MKD	<u>2021</u>	<u>2020</u>
Debt	48,727,448	42,797,187
Cash and cash equivalents	<u>(2,193,562)</u>	<u>(1,191,198)</u>
<b>Net debt (cash)</b>	<b>46,533,886</b>	<b>41,605,989</b>
<b>Total equity</b>	<b>61,383,361</b>	<b>59,909,685</b>
<b>% of debt</b>	<b>76%</b>	<b>69%</b>

### 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 2021 and 2020 is as follows:

In (000) MKD	<u>Assets</u>		<u>Liabilities</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
EUR	1,333,368	720,738	16,982,958	15,210,661
USD	921	748	27,777,758	26,326,527
other	<u>3,128</u>	<u>2,644</u>	<u>0</u>	<u>-</u>
	<b>1,337,417</b>	<b>724,130</b>	<b>44,760,716</b>	<b>41,537,188</b>

The Enterprise generally is exposed to EUR and USD. 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.

**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.

In (000) MKD	+ 10%		- 10%	
	2021	2020	2021	2020
EUR	(1,564,959)	(1,448,992)	1,564,959	1,448,992
USD	(2,777,684)	(2,632,578)	2,777,684	2,632,578
other	313	264	(313)	(264)
<b>Net effect</b>	<b>(4,342,330)</b>	<b>(4,081,306)</b>	<b>4,342,330</b>	<b>4,081,306</b>

**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:

In (000) MKD	31 December	
	2021	2020
<b>Financial assets</b>		
<i>Non-interest bearing:</i>		
- Cash and cash equivalents	9,394	3,290
- Other assets	40,448	33,959
	<b>49,842</b>	<b>37,249</b>
<i>Variable interest bearing :</i>		
- Given loans	34,718	48,782
- Cash and cash equivalents	2,184,168	1,187,908
	<b>2,218,886</b>	<b>1,236,690</b>
	<b>2,268,728</b>	<b>1,273,939</b>
<b>Financial liabilities</b>		
<i>Non-interest bearing:</i>		
- Trade payables	2,405,708	2,629,063
- Other current liabilities	316,442	311,475
- Borrowings	3,606,275	1,259,999
	<b>4,200,537</b>	<b>4,200,537</b>
<i>Variable interest bearing:</i>		
- Borrowings	17,343,415	15,210,661
	<b>17,343,415</b>	<b>15,210,661</b>
<i>Fixed interest bearing:</i>		
- Borrowings	27,777,758	26,326,527
	<b>27,777,758</b>	<b>26,326,527</b>
	<b>51,449,598</b>	<b>45,737,725</b>

**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 1% 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.

In (000) MKD	plus 1% points		less 1% points	
	2021	2020	2021	2020
Borrowings	(173,434)	(152,107)	173,434	152,107
Bank deposits	347	488	(347)	(488)
<b>Net effect</b>	<b>(173,087)</b>	<b>(151,619)</b>	<b>173,087</b>	<b>151,619</b>

**6.4. Liquidity risk**

The following table details the Enterprise's remaining contractual maturity for its financial assets and liabilities as at 31 December 2021:

In (000) MKD	Less than 1 month	1 to 3 month	3 to 12 month	Over 12 months	Total
Cash	2,193,562	-	-	-	2,193,562
Given loans	-	-	13,708	21,010	34,718
Other receivables	40,448	-	-	-	40,448
	<b>2,234,010</b>	<b>-</b>	<b>13,708</b>	<b>21,010</b>	<b>2,268,728</b>
Trade payables	2,405,708	-	-	-	2,405,708
Borrowings	1,126,137	742,069	2,886,219	43,973,023	48,727,448
Other payables	316,442	-	-	-	316,442
	<b>3,848,287</b>	<b>742,069</b>	<b>2,886,219</b>	<b>43,973,023</b>	<b>51,449,598</b>

**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 2020:

<b>In (000) MKD</b>	<b>Less than 1 month</b>	<b>1 to 3 month</b>	<b>3 to 12 month</b>	<b>Over 12 months</b>	<b>Total</b>
Cash	1,191,198	-	-	-	1,191,198
Given loans	-	-	13,728	35,054	48,782
Other receivables	33,959	-	-	-	33,959
	<b>1,225,157</b>	<b>-</b>	<b>13,728</b>	<b>35,054</b>	<b>1,273,939</b>
Trade payables	2,629,063	-	-	-	2,629,063
Borrowings	858,312	515,928	2,124,128	39,298,819	42,797,187
Other payables	311,475	-	-	-	311,475
	<b>3,798,850</b>	<b>515,928</b>	<b>2,124,128</b>	<b>39,298,819</b>	<b>45,737,725</b>

**7. Segment reporting**

The Enterprise 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:

	<b>2021</b>	<b>2020</b>
	<b>(000) MKD</b>	<b>(000) MKD</b>
Revenue from petrol price (State Budget transfers)	3,564,333	3,078,415
Revenue from highway utilization pay-toll	2,844,804	2,080,883
Revenue from motor vehicles registration	1,759,819	1,644,360
<b>Total revenues from allowances</b>	<b>8,168,956</b>	<b>6,803,658</b>

**9. OTHER OPERATING INCOME**

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

	<b>2021</b>	<b>2020</b>
	<b>(000) MKD</b>	<b>(000) MKD</b>
Income from compensations by other entities	28,760	33,826
Income from free of charge assets (Note 20 and 24)	120,669	120,925
Income from releasing of provisions (Note 28)	167	509
Other income	8,263	2,395
<b>Total other operating income</b>	<b>157,859</b>	<b>157,655</b>

**10. COST FOR BASIC ACTIVITIES**

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

	<b>2021</b>	<b>2020</b>
	<b>(000) MKD</b>	<b>(000) MKD</b>
Expenses for road reconstruction and maintenance	1,124,857	968,014
Transfer of allowances to local communities	298,208	300,000
<b>Total cost for basic activities</b>	<b>1,423,065</b>	<b>1,268,014</b>

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**11. EMPLOYEES EXPENSES**

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

	<b>2021</b>	<b>2020</b>
	<b>(000) MKD</b>	<b>(000) MKD</b>
Employees wages	243,421	214,605
Severance payments and bonuses	10,798	10,063
Business travel allowances	542	387
Expenses for transport	18,944	19,035
<b>Total</b>	<b>273,705</b>	<b>244,090</b>

**12. OTHER OPERATING EXPENSES**

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

	<b>2021</b>	<b>2020</b>
	<b>(000) MKD</b>	<b>(000) MKD</b>
Expenses for monitoring	167,057	148,654
Bank fees	29,088	22,965
Public utility services expenses	112,283	94,892
Expenses for motor vehicles association fees	77,826	72,902
Other services	98,027	80,045
Maintenance and repairing expenses	89,647	80,221
Material costs	9,622	20,667
Insurance costs	790	629
Representation	1,551	1,017
Lawyers fee	511	137,171
Expenses for court litigations	117,968	-
Other operating expenses	14,004	12,259
<b>Total other operating expenses</b>	<b>718,374</b>	<b>671,422</b>

**13. FINANCING INCOME**

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

	<b>2021</b>	<b>2020</b>
	<b>(000) MKD</b>	<b>(000) MKD</b>
Interest income	4,511	17,743
Gains on exchange	694,840	3,004,322
<b>Total financing income</b>	<b>699,351</b>	<b>3,022,065</b>



**14. FINANCING EXPENSES**

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

	<b>2021</b>	<b>2020</b>
	<b>(000) MKD</b>	<b>(000) MKD</b>
Interest expenses from borrowings	231,189	259,048
Penal interest	52,031	31,520
Loss on exchanges	2,823,013	594,400
<b>Total financing expenses</b>	<b>3,106,233</b>	<b>884,968</b>

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

	<b>2021</b>	<b>2020</b>
	<b>(000) MKD</b>	<b>(000) MKD</b>
IBRD - The World Bank	-	527
EBRD - local and regional roads	2,843	2,668
The Export-Import Bank of China	196,130	210,096
EBRD - electronic toll sistem	540	1,099
EIB II	28,317	37,413
IBRD - The World Bank	3,359	7,245
<b>Total interest expenses</b>	<b>231,189</b>	<b>259,048</b>

**15. CASH AND CASH EQUIVALENTS**

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

	<b>2021</b>	<b>2020</b>
	<b>(000) MKD</b>	<b>(000) MKD</b>
Denar accounts at domestic banks	881,781	512,885
Cash in hand	2,675	2,965
Foreign currency accounts at domestic banks	42,096	49,313
Letters of credit	-	-
Cash in hand - foreign currency	312	325
Allocated funds	6,407	-
Foreign exchange accounts	1,260,291	625,710
<b>Total cash and cash equivalents</b>	<b>2,193,562</b>	<b>1,191,198</b>

Foreign exchange accounts as at 31 December 2021 are comprised of withdrawn but still not used cash from foreign creditors and are as follows:

Account (SA) for IBRD Loans	224,185	185,704
Account (SA) for EBRD Loans	1,036,106	440,006
<b>Total</b>	<b>1,260,291</b>	<b>625,710</b>

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**16. INVENTORIES**

Inventories as at 31 December consist of the following:

	<b>2021</b>	<b>2020</b>
	<b>(000) MKD</b>	<b>(000) MKD</b>
Materials	1,671	1,503
<b>Total inventories</b>	<b>1,671</b>	<b>1,503</b>

**17. GRANTED LOANS**

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

	<b>2021</b>	<b>2020</b>
	<b>(000) MKD</b>	<b>(000) MKD</b>
<i>Loans to:</i>		
JP Macedonian Railways	12,844	18,047
Customs office of the RM	21,874	30,735
	<b>34,718</b>	<b>48,782</b>
Current portion of long term loans	(13,708)	(13,728)
<b>Total loans given</b>	<b>21,010</b>	<b>35,054</b>

Loans given in amount of 34,718 thousands of MKD (2020: 48,910 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**

	<b>2021</b>	<b>2020</b>
	<b>(000) MKD</b>	<b>(000) MKD</b>
<i>Advances given to:</i>		
Sinohidro Podruznica Skopje	816,114	1,166,048
Konstrukciones Rubau Spain	276,735	276,735
GD Granit AD Skopje	292,403	431,060
Aselsan	68,437	6,342
Strabak AG podruznica Skopje	196,650	137,828
Gradezen institut	50,739	-
Alpine Podruznica Skopje	30,181	30,181
Pelagonija AD Gostivar	-	38,016
Elektrosoft Skopje	9,047	9,047
DG Beton AD Skopje	-	30,191
VE-Grupa	-	10,121
Kompanija Eskavatori DOO	-	5,309
Ilinden Struga	123,735	-
<b>Total advances for property and equipment</b>	<b>1,864,041</b>	<b>2,140,878</b>

**19. INCOME TAX RECEIVABLES AND OTHER CURRENT ASSETS**

	<b>2021</b>	<b>2020</b>
	<b>(000) MKD</b>	<b>(000) MKD</b>
Income tax receivables	163,890	130,750
Other current assets	40,298	33,809
<b>Income tax receivables and other current assets</b>	<b>204,188</b>	<b>164,559</b>

**20. PROPERTY AND EQUIPMENT**

Changes of property and equipment during 2021 are as follows:

	<b>Buildings (000) MKD</b>	<b>Roads (000) MKD</b>	<b>Equipment (000) MKD</b>	<b>Construction in progress (000) MKD</b>	<b>Total (000) MKD</b>
<b>Cost or revaluation</b>					
<b>Balance as at 1 January</b>	<b>18,654</b>	<b>124,662,026</b>	<b>261,552</b>	<b>40,869,149</b>	<b>165,811,381</b>
Additions	-	2,164,368	6,810	6,117,838	8,289,016
Transfer from P/E in progress	-	-	21,829	(21,829)	-
Capitalized exchange rate differences	-	-	-	-	-
Reclassifying	-	-	-	-	-
Corrections (Note 24)	-	-	-	-	-
Released provision for court litigations (Note 28.b)	-	-	-	(49,916)	(49,916)
Write-off and other deductions	-	(204)	(9,112)	-	(9,316)
<b>Balance as at 31 December</b>	<b>18,654</b>	<b>126,826,190</b>	<b>281,079</b>	<b>46,915,242</b>	<b>174,041,165</b>
<b>Accumulated depreciation</b>					
<b>Balance as at 1 January</b>	<b>9,310</b>	<b>61,239,438</b>	<b>212,494</b>	-	<b>61,461,242</b>
Depreciation	185	1,937,226	11,605	-	1,949,016
Disposal of fixed assets	-	-	-	-	-
Write-off and other deductions	-	(204)	(8,906)	-	(9,110)
<b>Balance as at 31 December</b>	<b>9,495</b>	<b>63,176,460</b>	<b>215,193</b>	-	<b>63,401,148</b>
<b>Carrying amount as at:</b>					
<b>31.December 2021</b>	<b>9,159</b>	<b>63,649,730</b>	<b>65,886</b>	<b>46,915,242</b>	<b>110,640,017</b>
<b>31.December 2020</b>	<b>9,344</b>	<b>63,422,588</b>	<b>49,058</b>	<b>40,869,149</b>	<b>104,350,139</b>

Construction in progress as at 31 December 2021 in total amount of 46,915,242 thousands of MKD (2020: 40,869,149 thousands of MKD ) are comprised of investments in building up to 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 (Telekom assets).

During 2019, the Agency has made accounting activation of investments in construction of sections of Coridor 10 in total amount of 1,445,016 thousands of MKD, which arise from realized projects for construction of Coridor 10 by the Ministry of transportation with transfers from the Operational Program for Regional Development (Note 24). In 2020, the value of this asset was adjusted for the amount of 43,770 thousands of MKD, which is financed by the Company.

**21. INTANGIBLE ASSETS**

Changes during 2021:

	<b>Licenses (000) MKD</b>	<b>Software (000) MKD</b>	<b>Total (000) MKD</b>
<b>Cost</b>			
Balance as at 1 January	1,634	43,832	45,466
Additions	-	603	603
<b>Balance as at 31 December</b>	<b>1,634</b>	<b>44,435</b>	<b>46,069</b>
<b>Accumulated amortization</b>			
Balance as at 1 January	1,634	35,069	36,703
Amortization	-	8,207	8,207
<b>Balance as at 31 December</b>	<b>1,634</b>	<b>43,276</b>	<b>44,910</b>
<b>Carrying amount as at:</b>			
31.December 2021	-	1,159	1,159
31.December 2020	-	8,763	8,763

**22. TRADE PAYABLES**

Trade payables as at 31 December consist of the following:

	<b>2021 (000) MKD</b>	<b>2020 (000) MKD</b>
Domestic payables for property, equipment and expenses	633,661	825,949
Domestic payables for retained deposits	1,772,047	1,803,114
<b>Total liabilities to suppliers</b>	<b>2,405,708</b>	<b>2,629,063</b>

Domestic payables in amount of 633,661 thousands of MKD (2020: 825,949 thousands of MKD) mostly include obligations related to unpaid interim statements towards contractors.

Domestic payables for retained deposits to construction companies in amount of 1,772,047 thousands of MKD (2020: 1,803,114 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.

### 23. OTHER SHORT-TERM LIABILITIES

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

	<b>2021</b>	<b>2020</b>
	<b>(000) MKD</b>	<b>(000) MKD</b>
Interest liabilities	304,206	288,888
Liabilities for vehicles registration (refund)	10,628	13,670
Liabilities for concessions	1,498	5,257
Liabilities for expropriation of land	59,801	58,147
Other liabilities	110	3,660
<b>Total other current liabilities</b>	<b>376,243</b>	<b>369,622</b>

Income tax is calculated on financial result presented in the income statement, adjusted for non-deductible expenses and reduced by the amount of the reinvested profit in accordance with the tax regulations, by applying a tax rate of 10% (2020: 10%).

### 24. GOVERNMENT GRANTS (DEFERRED INCOME)

Government grants as at 31 December consist of following:

	<b>2021</b>	<b>2020</b>
	<b>(000) MKD</b>	<b>(000) MKD</b>
<b>Balance as at 1 January</b>	<b>2,013,324</b>	<b>2,173,650</b>
Received grants during the period	-	4,369
Corections	-	(43,770)
Released to the income statement	(120,669)	(120,925)
<b>Balance as at 31 December</b>	<b>1,892,655</b>	<b>2,013,324</b>

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 (Telekom assets) in amount of 558,909 thousands of MKD. This 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 22,852 thousands of MKD.

Grant from EIB is grant for technical assistance for the 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 171,077 thousands of MKD (2020: 171,077 thousands of MKD). These deferred income should be amortized commencing from the date of road activation.

The government grants arise from accounting activation of investments in construction of sections of Corridor 10 realized by the Ministry of transportation with transfers from the Operational Program for Regional Development in amount of 1,162,670 thousands of MKD. This deferred income is amortized as income over the life of the depreciable assets commencing from date of their activation and put into use (01.08.2019). In 2020, the value of this asset was adjusted for the amount of 43,770 thousands of MKD, which is financed by the Company. The annual amount of deferred income is in amount of 98,087 thousands of MKD.

25. LONG-TERM INTEREST BEARING BORROWINGS

a) Type analysis

Bank or creditor	Currency	Principal outstanding 31.12.2021 in currency	Exchange rate 31.12.2021 MKD	Interest rate %	terms and period of repayment	Principal outstanding 31.12.2021 MKD (000)	Principal outstanding 31.12.2020 MKD (000)
EIB II	EUR	8,761,328	61.6270	3.62 % p/y	36 semiannually installments 15/11/2006 - 15/05/2024	539,934	756,730
IBRD 4859 MK	EUR	3,051,202	61.6270	Libor	24 semiannually installments 15/12/2012 - 15/06/2024	188,036	263,537
IBRD 7532 MK	EUR	31,143,994	61.6270	Libor	30 semiannually installments 15/09/2013 - 15/03/2028	1,919,311	2,216,346
EBRD	EUR	8,156,880	61.6270	Libor +1	22 semiannually installments 05/12/2012 - 05/06/2023	502,684	838,718
The Export-Import Bank of China (Miladinovci - Stip)	USD	178,083,027	54.3736	2 % p/y	60 months grace period and 180 months repayment period	9,683,015	9,661,739
The Export-Import Bank of China (Kicevo - Ohrid)	USD	332,785,442	54.3736	2 % p/y	60 months grace period and 180 months repayment period	18,094,742	16,664,788
IBRD 8420 MK	EUR	45,989,094	61.6270	Libor	32 semiannually installments 15/10/2020 - 15/10/2036	2,834,170	3,020,219
EBRD 41981 - Project corridor X	EUR	8,964,003	61.6270	Libor +1	22 semiannually installments 20.10.2015-20.04.2026	552,425	675,920
EBRD 47955 - National roads Program	EUR	75,635,330	61.6270	Libor +1	48 months grace period and 132 months repayment period 20.02.2019 - 20.08.2029	4,661,178	3,425,178
IBRD 8525 MK	EUR	32,347,299	61.6270	Libor	35 months grace period from 31.12.2020 and 40 semi annual repayment period 15.11.2023-15.05.2043	1,993,467	1,761,269
EBRD 47829	EUR	57,146,470	61.6270	Libor +1	23 semiannually installments 20/03/2020 - 20/03/2031	3,521,766	2,030,645
EBRD 49118	EUR	5,100,000	61.6270	Libor +1	24 semiannually installments 15/04/2022-15/10/2033	314,298	222,098
Ministry od finance RNM	MKD	3,606,275	1	-	grace period up to 01.01.2022 and 84 monthly installments	3,606,275	1,259,999
EBRD 50769	EUR	5,130,000	61.6270	Libor +1	24 semiannually installments 10/06/2023-10/12/2034	316,147	-
<b>Total foreign currency borrowings</b>						<b>48,727,448</b>	<b>42,797,187</b>
Minus: Current portion of long-term foreign currency borrowings						(4,754,425)	(3,498,368)
<b>Total net foreign currency borrowings</b>						<b>43,973,023</b>	<b>39,298,819</b>
<b>Total long - term interest bearing borrowings</b>						<b>43,973,023</b>	<b>39,298,819</b>

**25. LONG-TERM INTEREST BEARING BORROWINGS (Continued)**

b) Changes during the year	<b>2021</b>	<b>2020</b>
	<b>MKD (000)</b>	<b>MKD (000)</b>
<b>Balance as at 1 January</b>	<b>42,797,187</b>	<b>43,180,676</b>
New borrowings	7,486,951	5,494,254
Repayment of principal of foreign borrowings	(3,669,409)	(3,439,470)
Losses (Gains) on exchange, net	2,112,720	(2,360,930)
Unused funds - repayment	-	(77,343)
<b>Balance as at 31 December</b>	<b>48,727,449</b>	<b>42,797,187</b>
c) Maturity of borrowings	<b>2021</b>	<b>2020</b>
	<b>MKD (000)</b>	<b>MKD (000)</b>
In period of 1 year	4,754,425	3,498,368
In period of 1 to 3 years	9,480,210	7,188,992
Over 3 years	34,492,813	32,109,827
<b>Total</b>	<b>48,727,448</b>	<b>42,797,187</b>

**26. EQUITY**

As at 31 December 2021, 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 North 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 North Macedonia.

**27. 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.

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**27. COMMITMENTS FROM LOAN AGREEMENTS (Continued)**

	<u>2021</u>	<u>2020</u>
Net Cash Flows Arising From Operating Activities	5,691,593	4,669,829
Plus all interest charged on accrual basis	231,189	259,048
Minus Cash Flows Arising From Operating Activities for such period which are applied during that period to acquiring long-term assets	(8,252,932)	(7,184,378)
Plus Cash Flows Arising From Operating Activities for such period which are applied during that period to acquiring long-term assets financed by the Guarantor	7,486,951	5,494,254
<b>Total</b>	<b>5,156,801</b>	<b>3,238,753</b>
Sum of the principal repayment during such period	3,669,409	3,439,470
Sum of all interest charged on an accruals basis on all Financial Debt during such period	231,189	259,048
<b>Total</b>	<b>3,900,598</b>	<b>3,698,518</b>
<b>Debt service coverage ratio (DSCR)</b>	<b>1.3</b>	<b>0.9</b>

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.

	<u>2021</u>	<u>2020</u>
Revenues from all sources	8,168,956	6,803,658
Plus non-operating income	157,859	157,655
Minus all expenses related to operations, excluding depreciation, non cash operating charges and interest	(2,415,144)	(2,183,526)
<b>Total</b>	<b>5,911,671</b>	<b>4,777,787</b>
Sum of the principal repayment during such period	3,669,409	3,439,470
Sum of all interest charged on an accruals basis on all Financial Debt during such period	231,189	259,048
<b>Total</b>	<b>3,900,598</b>	<b>3,698,518</b>
<b>Estimated net revenues / estimated debt service ratio</b>	<b>1.5</b>	<b>1.3</b>

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.

	<u>2021</u>	<u>2020</u>
Current assets	2,468,251	1,378,003
Estimated net revenues for next year	6,543,700	7,012,000
<b>Total</b>	<b>9,011,951</b>	<b>8,390,003</b>
Current liabilities	7,745,439	6,691,009
<b>Current ratio</b>	<b>1.2</b>	<b>1.3</b>



**28. 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:

<b>Basis:</b>	<b>2021 (000) MKD</b>	<b>2020 (000) MKD</b>
Debts	57,547	49,915
Expropriation of land	31,929	32,008
Claims for damages	291,282	164,009
Arbitration dispute	281,864	281,864
Other	1,915	1,522
<b>Total</b>	<b>664,537</b>	<b>529,318</b>

Above mentioned amounts do not include interest.

The arbitration dispute before the International Court of Arbitration in Paris was initiated after Rubau's lawsuit against the Public Enterprise for State Roads, and claims the amount of 281,863 thousand MKD and 131,602 thousand MKD arbitration costs.

At the same time, the Public Enterprise for State Roads has submitted a counter-lawsuit and claims the amount of 748,412 thousand MKD and 212,919 thousand MKD. The procedure is in the pre-decision stage.

With the decision made by the International Court of Arbitration in Paris in December 2021, the PE for State Roads does not have an obligation of payments towards Rubau. On the contrary, Rubau is obliged to a payment to the PE for State Roads amounting to a total of 4,485,167.83 EUR including a penalty interest- this amount represents an already fulfilled advance payment made by the PE of State Roads (note 18). Additionally, in March 2022, a decision was made by the International Court of Arbitration, in which all of the demands of the plaintiff were denied. A procedure for the recognition of the decision of the International Court of Arbitration before the Spanish court is underway, due to execution.

**b) Provisions**

	<b>2021 (000) MKD</b>	<b>2020 (000) MKD</b>
<b>Balance as at 1 January</b>	193,956	153,520
Provision for court litigations through balance sheet	-	2,282
Provision for court litigations through income statement	66,532	57,285
Paid amount	(1,343)	(17,292)
Released provision for court litigations through balance sheet	(167)	(509)
Released provision for court litigations through income statement	(49,915)	(1,330)
<b>Balance as at 31 December</b>	<b>209,063</b>	<b>193,956</b>

**b) guarantees**

The Enterprise has given bank guarantees in the total amount of 6,407 thousand MKD with maturity no later than August 2022 which are given for the necessary expropriation procedures.

### **30. RELATED PARTY TRANSACTIONS**

The Government of the Republic of North Macedonia is the sole owner of the Public Enterprise for State Roads-Skopje. The PE for State Roads does not enter into specific transactions with the Government of the Republic of North Macedonia. In 2021, with a government decision, from the Budget of the Republic of North Macedonia, 72,205 thousand MKD were approved for the PE for State Roads in order free payroll cards to be provided to Serbian nationals as part of the COVID crisis management program.

### **30. POST BALANCE SHEET EVENTS**

The global pandemic caused by the new coronavirus (COVID 19), which was declared by the WHO in March 2020, continued during 2021, with a significant number of cases. Measures taken by the government to prevent the spread of the virus have greatly affected economic activity.

Management has taken measures to monitor and mitigate the effects of COVID 19, including measures for safety and health protection of employees and believes that the pandemic has an impact on the Enterprise's operations and results, but not on the Enterprise's liquidity and solvency.

Given the fact that the pandemic is not over yet, based on past experience, management considers that in the future the pandemic will have an impact on operations, results, but not on the liquidity and solvency of the Company (notes 2.6 and 2.7). The impact at this time is not practical to assess given that the development of events is extremely unpredictable, and also can not predict the measures of health and economic nature, which would be adopted by the authorities or regulatory bodies, to mitigate the effects of the pandemic .