

**PUBLIC ENTERPRISE  
FOR STATE ROADS**

**INDEPENDENT AUDITOR'S REPORT AND  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDING  
31 DECEMBER 2022**

**Skopje, June 2023**

<b>CONTENTS</b>	<b>Page</b>
<b>Independent Auditor's report</b>	1-3
<b>Financial Statements</b>	
Statement of comprehensive income	4
Statement of financial position	5
Cash flow statement	6
Statement of changes in equity	7
Notes to the financial statements	8-31

**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 2022, 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 2022, the Enterprise has capitalized foreign exchange losses, arising from payment in USD currency to one of the contractors of the projects in amount of 1,155,028 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 319,200 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 55,197 thousands of MKD.

As it is presented in Note 20 to the financial statements, as at 31 December 2022, 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 2022, 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 2023

**Certified Auditor**

Kostadinka Kitanoska



**Manager and Certified Auditor**

Antonio Veljanov

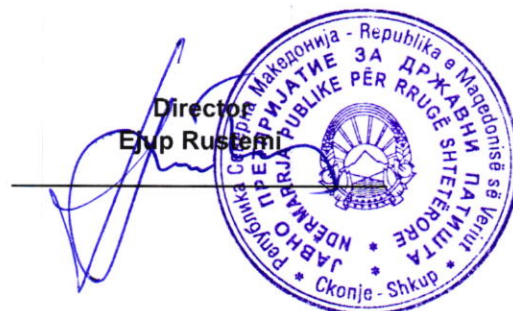


**PUBLIC COMPANY FOR STATE ROADS**  
**INCOME STATEMENT for the year ended at 31 December**

	Notes	2022 (000) MKD	2021 (000) MKD
Revenues from allowances	8	9,753,197	8,168,956
Other income	9	311,250	157,859
		<b>10,064,447</b>	<b>8,326,815</b>
Costs from basic activities	10	(1,439,632)	(1,423,065)
Depreciation		(1,987,876)	(1,957,223)
Employees costs	11	(390,347)	(345,927)
Other costs	12	(740,672)	(646,152)
Provisions		(11,789)	(66,532)
<b>OPERATING PROFIT</b>		<b>5,494,131</b>	<b>3,887,916</b>
Financing income	13	3,000,564	699,351
Financing expenses	14	(4,821,224)	(3,106,233)
<b>PROFIT BEFORE TAXATION</b>		<b>3,673,471</b>	<b>1,481,034</b>
Income tax	22	(225,424)	(7,358)
<b>NET PROFIT</b>		<b>3,448,047</b>	<b>1,473,676</b>
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>3,448,047</b>	<b>1,473,676</b>

Skopje, 09.03.2023

Director  
Ejup Rustemi



M.V

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

	<b>Notes</b>	<b>2022</b> <b>(000) MKD</b>	<b>2021</b> <b>(000) MKD</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	15	2,038,790	2,193,562
Loans given (Current part)	17	13,976	13,708
Income tax receivables and other current assets	19	40,427	204,188
Accrued income		81,864	55,122
Inventories	16	2,083	1,671
<b>Total current assets</b>		<b>2,177,140</b>	<b>2,468,251</b>
<b>Non-Current assets</b>			
Loans given	17	6,988	21,010
Advances for Property and Equipment	18	572,076	1,864,041
Intangible assets	21	7,377	1,159
Property and Equipment	20	118,765,914	110,640,017
<b>Total Non-current assets</b>		<b>119,352,355</b>	<b>112,526,227</b>
<b>TOTAL ASSETS</b>		<b>121,529,495</b>	<b>114,994,478</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Trade Payables	22	2,124,438	2,405,708
Current maturities of long term interest bearing borrowings	25	5,504,158	4,754,425
Other liabilities	23	442,679	376,243
Provisions	28	157,441	209,063
<b>Total Current liabilities</b>		<b>8,228,716</b>	<b>7,745,439</b>
<b>Non-Current liabilities</b>			
Government grants (deferred income)	24	1,853,629	1,892,655
Long term interest bearing borrowings	25	46,615,742	43,973,023
<b>Total Non-Current liabilities</b>		<b>48,469,371</b>	<b>45,865,678</b>
<b>Total liabilities</b>		<b>56,698,087</b>	<b>53,611,117</b>
<b>Equity</b>			
State owned capital	26	5,000	5,000
Revaluation reserves		9,796,453	9,796,453
Accumulated profit (loss)		55,029,955	51,581,908
<b>Total equity</b>		<b>64,831,408</b>	<b>61,383,361</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>121,529,495</b>	<b>114,994,478</b>

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

---

	<b>2022</b>	<b>2021</b>
	<b>(000) MKD</b>	<b>(000) MKD</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash inflows from allowances	9,726,455	8,120,849
Cash inflows from other operating activities	374,411	(2,606)
Payments to suppliers for basic activities	(1,419,112)	(1,431,762)
Paid wages	(390,347)	(273,705)
Payments for other operating expenses	(741,084)	(718,336)
Paid income tax	(215,019)	(7,358)
Received interest	25,026	4,511
<b>Net cash flow from operating activities</b>	<b>7,360,330</b>	<b>5,691,593</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Loans given/collected to other entities	13,754	14,064
Acquisition of intangible assets	(8,431)	(603)
Acquisition of PPE	(10,421,256)	(8,529,166)
Paid advances for PPE, net	1,291,965	276,837
<b>Net cash flow from investing activities</b>	<b>(9,123,968)</b>	<b>(8,238,868)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Profit payouts	-	-
Paid interest	(236,635)	(267,902)
Received/Repaid long-term borrowings, net	1,845,501	3,817,541
<b>Net cash flow from financing activities</b>	<b>1,608,866</b>	<b>3,549,639</b>
<b>Net increase (decrease) of cash and cash equivalents</b>	<b>(154,772)</b>	<b>1,002,364</b>
<b>Cash and cash equivalents at the begging of the year</b>	<b>2,193,562</b>	<b>1,191,198</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>2,038,790</b>	<b>2,193,562</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 2021</b>	5,000	9,796,453	2,885,001	47,223,231	59,909,685
Adjustments	-	-	-	-	-
<b>Balance as at 1 January 2021 - restated</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	1,473,676
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>
<b>Balance as at 1 January 2022</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>
Reconciliation	-	-	-	-	-
<b>Balance as at 1 January 2022</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>
Profit (loss) for the year	-	-	-	3,448,047	3,448,047
Reinvested profit from previous year according to Board of Directors Decision and Government of RM approval	-	-	1,473,676	(1,473,676)	-
Utilized reinvested profit	-	-	(4,595,660)	4,595,660	-
<b>Balance as at 31 December 2022</b>	<b>5,000</b>	<b>9,796,453</b>	<b>1,473,676</b>	<b>53,556,279</b>	<b>64,831,408</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 2022 is 496 employees (2021: 483 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 2022 and 2021. 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. 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.

### **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 2022 and 2021 for EUR and USD are as it follows:

---

<b>In MKD</b>	<b>1 EUR</b>	<b>1 USD</b>
31 December 2022	61.4932 MKD	57.6535 MKD
31 December 2021	61.6270 MKD	54.3736 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 2022 compare to 2021 are as follows:

<b>Asset</b>	<b>2022</b>	<b>2021</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 (2021: 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 2022 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 2022 and 2021 is as it follows:

In (000) MKD	2022	2021
Debt	52,119,900	48,727,448
Cash and cash equivalents	(2,038,790)	(2,193,562)
<b>Net debt (cash)</b>	<b>50,081,110</b>	<b>46,533,886</b>
<b>Total equity</b>	<b>64,831,408</b>	<b>61,383,361</b>
<b>% of debt</b>	<b>77%</b>	<b>76%</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 2022 and 2021 is as follows:

In (000) MKD	Assets		Liabilities	
	2022	2021	2022	2021
EUR	968,780	1,333,368	16,951,764	16,982,958
USD	257	921	29,844,084	27,777,758
other	3,775	3,128	0	0
	<b>972,812</b>	<b>1,337,417</b>	<b>46,795,848</b>	<b>44,760,716</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%	
	2022	2021	2022	2021
EUR	(1,598,298)	(1,564,959)	1,598,298	1,564,959
USD	(2,984,383)	(2,777,684)	2,984,383	2,777,684
other	378	313	(378)	(313)
<b>Net effect</b>	<b>(4,582,304)</b>	<b>(4,342,330)</b>	<b>4,582,304</b>	<b>4,342,330</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	
	2022	2021
<b>Financial assets</b>		
<i>Non-interest bearing:</i>		
- Cash and cash equivalents	12,711	9,394
- Other assets	40,427	40,448
	<b>53,138</b>	<b>49,842</b>
<i>Variable interest bearing :</i>		
- Given loans	20,964	34,718
- Cash and cash equivalents	2,026,079	2,184,168
	<b>2,218,886</b>	<b>2,218,886</b>
	<b>2,100,181</b>	<b>2,268,728</b>
<b>Financial liabilities</b>		
<i>Non-interest bearing:</i>		
- Trade payables	2,124,438	2,405,708
- Other current liabilities	356,763	316,442
- Borrowings	4,723,244	3,606,275
	<b>7,204,445</b>	<b>4,200,537</b>
<i>Variable interest bearing:</i>		
- Borrowings	17,552,572	17,343,415
	<b>17,552,572</b>	<b>17,343,415</b>
<i>Fixed interest bearing:</i>		
- Borrowings	29,844,084	27,777,758
	<b>29,844,084</b>	<b>27,777,758</b>
	<b>54,601,101</b>	<b>51,449,598</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	
	2022	2021	2022	2021
Borrowings	(175,526)	(173,434)	175,526	173,434
Bank deposits	210	347	(210)	(347)
<b>Net effect</b>	<b>(175,316)</b>	<b>(173,087)</b>	<b>175,316</b>	<b>173,087</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 2022:

In (000) MKD	Less than 1 month	1 to 3 month	3 to 12 month	Over 12 months	Total
Cash	2,038,790	-	-	-	2,038,790
Given loans	-	-	13,976	6,988	20,964
Other receivables	40,427	-	-	-	40,427
	<b>2,079,217</b>	<b>-</b>	<b>13,976</b>	<b>6,988</b>	<b>2,100,181</b>
Trade payables	2,124,438	-	-	-	2,124,438
Borrowings	1,340,501	926,284	3,237,373	46,615,742	52,119,900
Other payables	356,763	-	-	-	356,763
	<b>3,821,702</b>	<b>926,284</b>	<b>3,237,373</b>	<b>46,615,742</b>	<b>54,601,101</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 2021:

<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	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>

**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>2022</b>	<b>2021</b>
	<b>(000) MKD</b>	<b>(000) MKD</b>
Revenue from petrol price (State Budget transfers)	4,679,921	3,564,333
Revenue from highway utilization pay-toll	3,254,964	2,844,804
Revenue from motor vehicles registration	1,818,312	1,759,819
<b>Total revenues from allowances</b>	<b>9,753,197</b>	<b>8,168,956</b>

## 9. OTHER OPERATING INCOME

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

	<b>2022</b>	<b>2021</b>
	<b>(000) MKD</b>	<b>(000) MKD</b>
Income from compensations by other entities	131,293	28,760
Income from free of charge assets (Note 20 and 24)	113,847	120,669
Income from releasing of provisions (Note 28)	61,574	167
Other income	4,536	8,263
<b>Total other operating income</b>	<b>311,250</b>	<b>157,859</b>

## 10. COST FOR BASIC ACTIVITIES

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

	<b>2022</b>	<b>2021</b>
	<b>(000) MKD</b>	<b>(000) MKD</b>
Expenses for road reconstruction and maintenance	1,139,632	1,124,857
Transfer of allowances to local communities	300,000	298,208
<b>Total cost for basic activities</b>	<b>1,439,632</b>	<b>1,423,065</b>

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

---

**11. EMPLOYEES EXPENSES**

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

	<b>2022</b>	<b>2021</b>
	<b>(000) MKD</b>	<b>(000) MKD</b>
Employees wages	255,878	243,421
Severance payments and bonuses	18,013	10,798
Business travel allowances	591	542
Temporary employment costs	94,226	72,222
Expenses for transport	21,639	18,944
<b>Total</b>	<b>390,347</b>	<b>345,927</b>

**12. OTHER OPERATING EXPENSES**

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

	<b>2022</b>	<b>2021</b>
	<b>(000) MKD</b>	<b>(000) MKD</b>
Expenses for monitoring	57,752	94,835
Bank fees	35,051	29,088
Public utility services expenses	202,018	112,283
Expenses for motor vehicles association fees	79,979	77,826
Other services	88,667	98,027
Maintenance and repairing expenses	164,143	89,647
Consultants	46,688	3,133
Material costs	29,510	9,622
Insurance costs	2,529	790
Representation	168	1,551
Lawyers fee	1,709	511
Expenses for court litigations	20,109	117,968
Other operating expenses	12,349	10,871
<b>Total other operating expenses</b>	<b>740,672</b>	<b>646,152</b>

**13. FINANCING INCOME**

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

	<b>2022</b>	<b>2021</b>
	<b>(000) MKD</b>	<b>(000) MKD</b>
Interest income	25,026	4,511
Gains on exchange	2,975,538	694,840
<b>Total financing income</b>	<b>3,000,564</b>	<b>699,351</b>

**14. FINANCING EXPENSES**

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

	<b>2022</b>	<b>2021</b>
	<b>(000) MKD</b>	<b>(000) MKD</b>
Interest expenses from borrowings	241,620	231,189
Penal interest	30,526	52,031
Loss on exchanges	4,549,078	2,823,013
<b>Total financing expenses</b>	<b>4,821,224</b>	<b>3,106,233</b>

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

	<b>2022</b>	<b>2021</b>
	<b>(000) MKD</b>	<b>(000) MKD</b>
EBRD - local and regional roads	6,999	2,843
The Export-Import Bank of China	197,258	196,130
EBRD - electronic toll sistem	586	540
EBRD - corridor 8	2,843	-
EIB II	19,254	28,317
IBRD - The World Bank	14,680	3,359
<b>Total interest expenses</b>	<b>241,620</b>	<b>231,189</b>

**15. CASH AND CASH EQUIVALENTS**

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

	<b>2022</b>	<b>2021</b>
	<b>(000) MKD</b>	<b>(000) MKD</b>
Denar accounts at domestic banks	1,074,735	881,781
Cash in hand	3,754	2,675
Foreign currency accounts at domestic banks	34,137	42,096
Letters of credit	-	-
Cash in hand - foreign currency	504	312
Allocated funds	8,453	6,407
Foreign exchange accounts	917,207	1,260,291
<b>Total cash and cash equivalents</b>	<b>2,038,790</b>	<b>2,193,562</b>

Foreign exchange accounts as at 31 December 2022 are comprised of withdrawn but still not used cash from foreign creditors and received cash from litigation, as follows:

Account (SA) for IBRD Loans	96,625	224,185
Account (SA) for EBRD Loans	533,504	1,036,106
Deposits from litigation	287,078	-
<b>Total</b>	<b>917,207</b>	<b>1,260,291</b>



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

**16. INVENTORIES**

Inventories as at 31 December consist of the following:

	<b>2022</b>	<b>2021</b>
	<b>(000) MKD</b>	<b>(000) MKD</b>
Materials	2,083	1,671
<b>Total inventories</b>	<b>2,083</b>	<b>1,671</b>

**17. GRANTED LOANS**

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

	<b>2022</b>	<b>2021</b>
	<b>(000) MKD</b>	<b>(000) MKD</b>
<i>Loans to:</i>		
JP Macedonian Railways	7,755	12,844
Customs office of the RM	13,209	21,874
	<b>20,964</b>	<b>34,718</b>
Current portion of long term loans	(13,976)	(13,708)
<b>Total loans given</b>	<b>6,988</b>	<b>21,010</b>

Loans given in amount of 20,964 thousands of MKD (2021: 34,718 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>2022</b>	<b>2021</b>
	<b>(000) MKD</b>	<b>(000) MKD</b>
<i>Advances given to:</i>		
Strabak AG podružnica Skopje	142,416	196,650
GD Granit AD Skopje	126,054	292,403
Ilinden Struga	122,499	123,735
Aselsan	39,946	68,437
Hidrostroy Sofia	34,736	-
Alpine Podružnica Skopje	30,181	30,181
Pelagonija AD Gostivar	20,287	-
Gradezen institut	19,027	50,739
Zikol DOOEL	10,972	-
Vato DOOEL	9,955	-
Elektrosoft Skopje	9,047	9,047
Sinohidro Podružnica Skopje	6,956	816,114
Konstrukciones Rubau Spain	-	276,735
<b>Total advances for property and equipment</b>	<b>572,076</b>	<b>1,864,041</b>

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

	<b>2022</b>	<b>2021</b>
	<b>(000) MKD</b>	<b>(000) MKD</b>
Income tax receivables	-	163,890
Other current assets	40,427	40,298
<b>Income tax receivables and other current assets</b>	<b>40,427</b>	<b>204,188</b>

**20. PROPERTY AND EQUIPMENT**

Changes of property and equipment during 2022 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>126,826,190</b>	<b>281,079</b>	<b>46,915,242</b>	<b>174,041,165</b>
Additions	-	1,907,526	7,322	7,877,512	9,792,360
Transfer from P/E in progress	-	53,940	1,105	(55,045)	-
Capitalized exchange rate differences	-	-	-	319,200	319,200
Reclassifying	-	-	8,071	(8,071)	-
Corrections (Note 24)	-	-	-	-	-
Released provision for court litigations (Note 28.b)	-	-	-	-	-
Write-off and other deductions	-	-	(985)	-	(985)
<b>Balance as at 31 December</b>	<b>18,654</b>	<b>128,787,656</b>	<b>296,592</b>	<b>55,048,838</b>	<b>184,151,740</b>
<b>Accumulated depreciation</b>					
<b>Balance as at 1 January</b>	<b>9,495</b>	<b>63,176,460</b>	<b>215,193</b>	-	<b>63,401,148</b>
Depreciation	185	1,961,421	24,057	-	1,985,663
Disposal of fixed assets	-	-	-	-	-
Write-off and other deductions	-	-	(985)	-	(985)
<b>Balance as at 31 December</b>	<b>9,680</b>	<b>65,137,881</b>	<b>238,265</b>	-	<b>65,385,826</b>
<b>Carrying amount as at:</b>					
<b>31.December 2022</b>	<b>8,974</b>	<b>63,649,775</b>	<b>58,327</b>	<b>55,048,838</b>	<b>118,765,914</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>

Construction in progress as at 31 December 2022 in total amount of 55,048,837 thousands of MKD (2021: 46,915,242 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. In 2022, the company has received roads in amount of 74,821 MKD free of charge.

**21. INTANGIBLE ASSETS**

Changes during 2022:

	<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	44,435	46,069
Additions	-	8,431	8,431
<b>Balance as at 31 December</b>	<b>1,634</b>	<b>52,866</b>	<b>54,500</b>
<b>Accumulated amortization</b>			
Balance as at 1 January	1,634	43,276	44,910
Amortization	-	2,213	2,213
<b>Balance as at 31 December</b>	<b>1,634</b>	<b>45,489</b>	<b>47,123</b>
<b>Carrying amount as at:</b>			
31.December 2022	-	7,377	7,377
31.December 2021	-	1,159	1,159

**22. TRADE PAYABLES**

Trade payables as at 31 December consist of the following:

	<b>2022 (000) MKD</b>	<b>2021 (000) MKD</b>
Domestic payables for property, equipment and expenses	776,322	633,661
Domestic payables for retained deposits	1,342,799	1,772,047
Foreign payables	5,317	-
<b>Total liabilities to suppliers</b>	<b>2,124,438</b>	<b>2,405,708</b>

Domestic payables in amount of 776,322 thousands of MKD (2021: 633,661 thousands of MKD) mostly include obligations related to unpaid interim statements towards contractors.

Domestic payables for retained deposits to construction companies in amount of 1,342,799 thousands of MKD (2021: 1,772,047 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>2022</b>	<b>2021</b>
	<b>(000) MKD</b>	<b>(000) MKD</b>
Interest liabilities	339,717	304,206
Liabilities for vehicles registration (refund)	16,750	10,628
Liabilities for concessions	153	1,498
Liabilities for expropriation of land	75,511	59,801
Other liabilities	143	110
<b>Total other current liabilities</b>	<b>442,679</b>	<b>376,243</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% (2021: 10%).

**24. GOVERNMENT GRANTS (DEFERRED INCOME)**

Government grants as at 31 December consist of following:

	<b>2022</b>	<b>2021</b>
	<b>(000) MKD</b>	<b>(000) MKD</b>
<b>Balance as at 1 January</b>	<b>1,892,655</b>	<b>2,013,324</b>
Received grants during the period	74,821	-
Corections	-	-
Released to the income statement	(113,847)	(120,669)
<b>Balance as at 31 December</b>	<b>1,853,629</b>	<b>1,892,655</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 543,149 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 15,760 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 (2021: 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 Coridor 10 realized by the Ministry of transportation with transfers from the Operational Program for Regional Development in amount of 1,139,403 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. In 2022, the company has received roads in amount of 74,821 MKD free of charge. 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 31.12.2022 in currency	Exchange rate 31.12.2022 MKD	Interest rate %	terms and period of repayment	Principal outstanding 31.12.2022 MKD (000)	Principal outstanding 31.12.2021 MKD (000)
EIB II	EUR	5,256,797	61.4932	3.62 % p/y	36 semiannually installments 15/11/2006 - 15/05/2024	323,258	539,934
IBRD 4859 MK	EUR	1,830,721	61.4932	Libor	24 semiannually installments 15/12/2012 - 15/06/2024	112,577	188,036
IBRD 7532 MK	EUR	26,363,161	61.4932	Libor	30 semiannually installments 15/09/2013 - 15/03/2028	1,621,155	1,919,311
EBRD	EUR	2,419,225	61.4932	Libor +1	22 semiannually installments 05/12/2012 - 05/06/2023	148,766	502,684
The Export-Import Bank of China (Miladinovci - Stip)	USD	163,836,385	57.6535	2 % p/y	60 months grace period and 180 months repayment period	9,445,741	9,683,015
The Export-Import Bank of China (Kicevo - Ohrid)	USD	353,809,277	57.6535	2 % p/y	60 months grace period and 180 months repayment period	20,398,343	18,094,742
IBRD 8420 MK	EUR	43,023,358	61.4932	Libor	32 semiannually installments 15/10/2020 - 15/10/2036	2,645,644	2,834,170
EBRD 41981 - Project corridor X	EUR	6,972,003	61.4932	Libor +1	22 semiannually installments 20.10.2015-20.04.2026	428,731	552,425
EBRD 47955 - National roads Program	EUR	92,159,385	61.4932	Libor +1	48 months grace period and 132 months repayment period 20.02.2019 - 20.08.2029	5,667,176	4,661,178
IBRD 8525 MK	EUR	40,331,087	61.4932	Libor	35 months grace period from 31.12.2020 and 40 semi annual repayment period 15.11.2023-15.05.2043	2,480,088	1,993,467
EBRD 47829	EUR	51,131,052	61.4932	Libor +1	23 semiannually installments 20/03/2020 - 20/03/2031	3,144,212	3,521,766
EBRD 49118	EUR	6,205,435	61.4932	Libor +1	24 semiannually installments 15/04/2022-15/10/2033	381,592	314,298
Ministry od finance RNM	MKD	3,245,818	1	-	grace period up to 01.01.2022 and 84 monthly installments	3,245,818	3,606,275
Ministry od finance RNM	MKD	934,099	1	-	grace period up to 01.02.2023 and 120 monthly installments	934,099	-
Ministry od finance RNM	MKD	543,327	1	-	grace period up to 01.10.2025 and 120 monthly installments	543,327	-
EBRD 50769	EUR	9,330,000	61.4932	Libor +1	24 semiannually installments 10/06/2023-10/12/2034	573,732	316,147
EBRD 49119 - corridor 8	EUR	417,000	61.4932	Libor	24 semiannually installments 15/12/2025-15/12/2027	25,643	-
<b>Total foreign currency borrowings</b>						<b>52,119,900</b>	<b>48,727,448</b>
Minus: Current portion of long-term foreign currency borrowings						(5,504,158)	(4,754,425)
<b>Total net foreign currency borrowings</b>						<b>46,615,742</b>	<b>43,973,023</b>
<b>Total long - term interest bearing borrowings</b>						<b>46,615,742</b>	<b>43,973,023</b>

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

b) Changes during the year	<b>2022</b>	<b>2021</b>
	<b>MKD (000)</b>	<b>MKD (000)</b>
<b>Balance as at 1 January</b>	<b>48,727,448</b>	<b>42,797,187</b>
New borrowings	6,864,508	7,486,951
Repayment of principal of foreign borrowings	(5,018,903)	(3,669,409)
Losses (Gains) on exchange, net	1,546,951	2,112,720
Unused funds - repayment	(104)	-
<b>Balance as at 31 December</b>	<b>52,119,900</b>	<b>48,727,449</b>
c) Maturity of borrowings	<b>2022</b>	<b>2021</b>
	<b>MKD (000)</b>	<b>MKD (000)</b>
In period of 1 year	5,504,158	4,754,425
In period of 1 to 3 years	10,703,552	9,480,210
Over 3 years	35,912,190	34,492,813
<b>Total</b>	<b>52,119,900</b>	<b>48,727,448</b>

**26. EQUITY**

As at 31 December 2022, 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.

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

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

	<u>2022</u>	<u>2021</u>
Net Cash Flows Arising From Operating Activities	7,360,330	5,691,593
Plus all interest charged on accrual basis	241,620	231,189
Minus Cash Flows Arising From Operating Activities for such period which are applied during that period to acquiring long-term assets	(9,137,722)	(8,252,932)
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	6,864,508	7,486,951
<b>Total</b>	<b>5,328,736</b>	<b>5,156,801</b>
Sum of the principal repayment during such period	5,018,903	3,669,409
Sum of all interest charged on an accruals basis on all Financial Debt during such period	241,620	231,189
<b>Total</b>	<b>5,260,523</b>	<b>3,900,598</b>
<b>Debt service coverage ratio (DSCR)</b>	<b>1.0</b>	<b>1.3</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>2022</u>	<u>2021</u>
Revenues from all sources	9,753,197	8,168,956
Plus non-operating income	311,250	157,859
Minus all expenses related to operations, excluding depreciation, non cash operating charges and interest	(2,570,651)	(2,415,144)
<b>Total</b>	<b>7,493,796</b>	<b>5,911,671</b>
Sum of the principal repayment during such period	5,018,903	3,669,409
Sum of all interest charged on an accruals basis on all Financial Debt during such period	241,620	231,189
<b>Total</b>	<b>5,260,523</b>	<b>3,900,598</b>
<b>Estimated net revenues / estimated debt service ratio</b>	<b>1.4</b>	<b>1.5</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>2022</u>	<u>2021</u>
Current assets	2,177,140	2,468,251
Estimated net revenues for next year	7,330,800	7,012,000
<b>Total</b>	<b>9,507,940</b>	<b>9,480,251</b>
Current liabilities	8,228,716	7,745,439
<b>Current ratio</b>	<b>1.2</b>	<b>1.2</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>2022 (000) MKD</b>	<b>2021 (000) MKD</b>
Debts	137,107	57,547
Expropriation of land	50,232	31,929
Claims for damages	175,426	291,282
Arbitration dispute	281,864	281,864
Other	1,915	1,915
<b>Total</b>	<b>646,544</b>	<b>664,537</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. In September 2022, the amount of an advance guarantee of EUR 4,485,167.83 was paid to the JPDP account by Banco Sabadeld Spain. A procedure for the recognition of the decision of the International Court of Arbitration before the Spanish court is underway, due to execution of interest. In October 2022, JPDP received a lawsuit from Rubau Spain for the partial annulment of the judgment of the arbitration court delivered by the Trade Court in Zagreb, to which JPDP submitted a response to the lawsuit.

In August 2022, JPDP received a notification with a lawsuit from DG Beton AD Skopje for initiated arbitration proceedings before the Permanent Court of Arbitration at the Chamber of Commerce of North Macedonia for a debt in the amount of MKD 117,046,670 with interest and costs. In September 2022, the JPDP submitted a response to the lawsuit and announced a counterclaim. In January 2023, JPD filed a counterclaim, later specified in the amount of MKD 150,158,222.



**28. CONTINGENCIES AND PROVISIONS (Continued)**

**b) Provisions**

	<b>2022</b>	<b>2021</b>
	<b>(000) MKD</b>	<b>(000) MKD</b>
<b>Balance as at 1 January</b>	<u>209,063</u>	<u>193,956</u>
Provision for court litigations through balance sheet	-	-
Provision for court litigations through income statement	11,789	66,532
Paid amount	(1,837)	(1,343)
Released provision for court litigations through balance sheet	(61,574)	(167)
Released provision for court litigations through income statement	-	(49,915)
<b>Balance as at 31 December</b>	<u><b>157,441</b></u>	<u><b>209,063</b></u>

**c) guarantees**

The Enterprise has given bank guarantees in the total amount of 4,139 thousand MKD with maturity no later than December 2023 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. In 2022 there are no related party transactions.

**30. POST BALANCE SHEET EVENTS**

After the reporting date, no events have occurred that should be disclosed in these financial statements.