

**PUBLIC ENTERPRISE
FOR STATE ROADS**

**INDEPENDENT AUDITOR'S REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDING
31 DECEMBER 2023**

Skopje, July 2024

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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 2023, 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 2023, the Enterprise has capitalized foreign exchange losses, arising from payment in USD currency to one of the contractors of the projects in amount of 1,671,879 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 516,851 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 319,200 thousands of MKD.

As it is presented in Note 20 to the financial statements, as at 31 December 2023, 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 2023, 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, 01 July 2024

Certified Auditor

Kostadinka Kitanoska



Manager and Certified Auditor

Antonio Veljanov

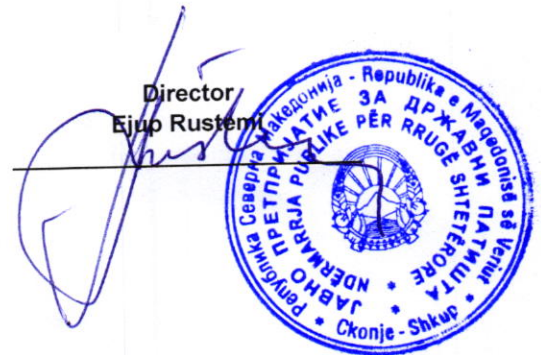


PUBLIC COMPANY FOR STATE ROADS
INCOME STATEMENT for the year ended at 31 December

	Notes	2023 (000) MKD	2022 (000) MKD
Revenues from allowances	8	10,623,885	9,753,197
Other income	9	155,832	311,250
		<u>10,779,717</u>	<u>10,064,447</u>
Costs from basic activities	10	(1,464,187)	(1,439,632)
Depreciation		(2,105,095)	(1,987,876)
Employees costs	11	(457,804)	(390,347)
Other costs	12	(1,095,481)	(740,672)
Provisions		(1,246)	(11,789)
OPERATING PROFIT		<u>5,655,904</u>	<u>5,494,131</u>
Financing income	13	2,064,839	3,000,564
Financing expenses	14	(1,505,545)	(4,821,224)
PROFIT BEFORE TAXATION		<u>6,215,198</u>	<u>3,673,471</u>
Income tax	22	(308,771)	(225,424)
NET PROFIT		<u>5,906,427</u>	<u>3,448,047</u>
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		<u>5,906,427</u>	<u>3,448,047</u>

Skopje, 14.03.2024 godina

Director
Ejup Rustemi



PUBLIC COMPANY FOR STATE ROADS
BALANCE SHEET as at 31 December

	Notes	2023 (000) MKD	2022 (000) MKD
ASSETS			
Current assets			
Cash and cash equivalents	15	2,886,003	2,038,790
Loans given (Current part)	17	6,326	13,976
Income tax receivables and other current assets	19	40,855	40,427
Accrued income		58,323	81,864
Inventories	16	2,274	2,083
Total current assets		2,993,781	2,177,140
Non-Current assets			
Loans given	17	-	6,988
Advances for Property and Equipment	18	3,267,591	572,076
Intangible assets	21	6,123	7,377
Property and Equipment	20	141,066,641	118,765,914
Total Non-current assets		144,340,355	119,352,355
TOTAL ASSETS		147,334,136	121,529,495
LIABILITIES AND EQUITY			
Current liabilities			
Trade Payables	22	3,770,852	2,124,438
Current maturities of long term interest bearing borrowings	25	6,002,243	5,504,158
Other liabilities	23	756,617	442,679
Provisions	28	178,450	157,441
Total Current liabilities		10,708,162	8,228,716
Non-Current liabilities			
Government grants (deferred income)	24	16,273,317	1,853,629
Long term interest bearing borrowings	25	49,614,822	46,615,742
Total Non-Current liabilities		65,888,139	48,469,371
Total liabilities		76,596,301	56,698,087
Equity			
State owned capital	26	5,000	5,000
Revaluation reserves		9,796,453	9,796,453
Accumulated profit (loss)		60,936,382	55,029,955
Total equity		70,737,835	64,831,408
TOTAL LIABILITIES AND EQUITY		147,334,136	121,529,495

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

	2023	2022
	(000) MKD	(000) MKD
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflows from allowances	10,647,426	9,726,455
Cash inflows from other operating activities	14,575,092	374,411
Payments to suppliers for basic activities	(1,431,394)	(1,419,112)
Paid wages	(457,804)	(390,347)
Payments for other operating expenses	(1,095,666)	(741,084)
Paid income tax	(206,583)	(215,019)
Received interest	1,831	25,026
	22,032,902	7,360,330
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans given/collected to other entities	14,638	13,754
Acquisition of intangible assets	(4,656)	(8,431)
Acquisition of PPE	(22,727,559)	(10,421,256)
Paid advances for PPE, net	(2,695,515)	1,291,965
	(25,413,092)	(9,123,968)
CASH FLOWS FROM FINANCING ACTIVITIES		
Profit payouts	-	-
Paid interest	(365,668)	(236,635)
Received/Repaid long-term borrowings, net	4,593,071	1,845,501
	4,227,403	1,608,866
Net cash flow from investing activities	4,227,403	1,608,866
Net increase (decrease) of cash and cash equivalents	847,213	(154,772)
Cash and cash equivalents at the begging of the year	2,038,790	2,193,562
Cash and cash equivalents at the end of the year	2,886,003	2,038,790

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
Balance as at 1 January 2022	5,000	9,796,453	4,595,660	46,986,248	61,383,361
Adjustments	-	-	-	-	-
Balance as at 1 January 2022 - restated	5,000	9,796,453	4,595,660	46,986,248	61,383,361
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	-
Balance as at 31 December 2022	5,000	9,796,453	1,473,676	53,556,279	64,831,408
Balance as at 1 January 2023	5,000	9,796,453	1,473,676	53,556,279	64,831,408
Reconciliation	-	-	-	-	-
Balance as at 1 January 2023	5,000	9,796,453	1,473,676	53,556,279	64,831,408
Profit (loss) for the year	-	-	-	5,906,427	5,906,427
Reinvested profit from previous year according to Board of Directors Decision and Government of RM approval	-	-	3,448,047	(3,448,047)	-
Utilized reinvested profit	-	-	(1,473,676)	1,473,676	-
Balance as at 31 December 2023	5,000	9,796,453	3,448,047	57,488,335	70,737,835

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 2023 is 508 employees (2022: 496 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 2023 and 2022. 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 2023 and 2022 for EUR and USD are as it follows:

In MKD	1 EUR	1 USD
31 December 2023	61.4950 MKD	55.6516 MKD
31 December 2022	61.4932 MKD	57.6535 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 2023 compare to 2022 are as follows:

Asset	2023	2022
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 31st 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 (2022: 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 2023 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 2023 and 2022 is as it follows:

In (000) MKD	<u>2023</u>	<u>2022</u>
Debt	55,617,065	52,119,900
Cash and cash equivalents	<u>(2,886,003)</u>	<u>(2,038,790)</u>
Net debt (cash)	52,731,062	50,081,110
Total equity	70,737,835	64,831,408
% of debt	75%	77%

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 2023 and 2022 is as follows:

In (000) MKD	<u>Assets</u>		<u>Liabilities</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
EUR	984,540	968,780	18,974,420	16,951,764
USD	583	257	30,335,259	29,844,084
other	<u>4,779</u>	<u>3,775</u>	<u>0</u>	<u>0</u>
	989,902	972,812	49,309,679	46,795,848

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%	
	2023	2022	2023	2022
EUR	(1,763,385)	(1,598,298)	1,763,385	1,598,298
USD	(3,033,468)	(2,984,383)	3,033,468	2,984,383
other	478	378	(478)	(378)
Net effect	(4,861,162)	(4,582,304)	4,861,162	4,582,304

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	
	2023	2022
Financial assets		
<i>Non-interest bearing:</i>		
- Cash and cash equivalents	8,304	12,711
- Other assets	40,855	40,427
	49,159	53,138
<i>Variable interest bearing :</i>		
- Given loans	6,326	20,964
- Cash and cash equivalents	2,877,699	2,026,079
	2,884,025	2,218,886
	2,933,184	2,100,181
Financial liabilities		
<i>Non-interest bearing:</i>		
- Trade payables	3,770,852	2,124,438
- Other current liabilities	519,270	356,763
- Borrowings	6,339,480	4,723,244
	10,629,602	7,204,445
<i>Variable interest bearing:</i>		
- Borrowings	18,942,326	17,552,572
	18,942,326	17,552,572
<i>Fixed interest bearing:</i>		
- Borrowings	30,335,259	29,844,084
	30,335,259	29,844,084
	59,907,187	54,601,101

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

6. Financial instruments (Continued)

6.3. Interest rate risk (Continued)

The sensitivity analysis below has been determined based on the exposure to interest rates as a result of a 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	
	2023	2022	2023	2022
Borrowings	(189,423)	(175,526)	189,423	175,526
Bank deposits	63	210	(63)	(210)
Net effect	(189,360)	(175,316)	189,360	175,316

6.4. Liquidity risk

The following table details the Enterprise's remaining contractual maturity for its financial assets and liabilities as at 31 December 2023:

In (000) MKD	Less than 1 month	1 to 3 month	3 to 12 month	Over 12 months	Total
Cash	2,886,003	-	-	-	2,886,003
Given loans	-	-	6,326	-	6,326
Other receivables	40,855	-	-	-	40,855
	2,926,858	-	6,326	-	2,933,184
Trade payables	3,770,852	-	-	-	3,770,852
Borrowings	1,495,252	1,104,708	3,408,283	49,614,822	55,617,065
Other payables	519,270	-	-	-	519,270
	5,785,374	1,104,708	3,408,283	49,614,822	59,907,187

**PUBLIC ENTERPRISE FOR STATE ROADS
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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 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
	2,079,217	-	13,976	6,988	2,100,181
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
	3,821,702	926,284	3,237,373	46,615,742	54,601,101

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:

	2023 (000) MKD	2022 (000) MKD
Revenue from petrol price (State Budget transfers)	4,908,085	4,679,921
Revenue from highway utilization pay-toll	3,795,830	3,254,964
Revenue from motor vehicles registration	1,919,970	1,818,312
Total revenues from allowances	10,623,885	9,753,197

9. OTHER OPERATING INCOME

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

	2023 (000) MKD	2022 (000) MKD
Income from compensations by other entities	35,562	131,293
Income from free of charge assets (Note 20 and 24)	116,356	113,847
Income from releasing of provisions (Note 28)	-	61,574
Other income	3,914	4,536
Total other operating income	155,832	311,250

10. COST FOR BASIC ACTIVITIES

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

	2023 (000) MKD	2022 (000) MKD
Expenses for road reconstruction and maintenance	1,172,513	1,139,632
Transfer of allowances to local communities	291,674	300,000
Total cost for basic activities	1,464,187	1,439,632

11. EMPLOYEES EXPENSES

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

	2023	2022
	(000) MKD	(000) MKD
Employees wages	299,406	255,878
Severance payments and bonuses	13,389	18,013
Business travel allowances	1,048	591
Temporary employment costs	115,524	94,226
Expenses for transport	28,437	21,639
Total	457,804	390,347

12. OTHER OPERATING EXPENSES

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

	2023	2022
	(000) MKD	(000) MKD
Expenses for monitoring	83,432	57,752
Bank fees	64,058	35,051
Public utility services expenses	126,629	202,018
Expenses for motor vehicles association fees	82,442	79,979
Other services	154,640	88,667
Maintenance and repairing expenses	348,046	164,143
Consultants	91,898	46,688
Material costs	58,392	29,510
Insurance costs	4,082	2,529
Representation	436	168
Lawyers fee	3,690	1,709
Expenses for court litigations	4,447	20,109
Additionaly calculated taxes	27,525	-
Other operating expenses	45,764	12,349
Total other operating expenses	1,095,481	740,672

13. FINANCING INCOME

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

	2023	2022
	(000) MKD	(000) MKD
Interest income	1,831	25,026
Gains on exchange	2,063,008	2,975,538
Total financing income	2,064,839	3,000,564

14. FINANCING EXPENSES

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

	2023	2022
	(000) MKD	(000) MKD
Interest expenses from borrowings	501,990	241,620
Penal interest	42,635	30,526
Loss on exchanges	960,920	4,549,078
Total financing expenses	1,505,545	4,821,224

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

	2023	2022
	(000) MKD	(000) MKD
EBRD - local and regional roads	135,756	6,999
The Export-Import Bank of China	175,290	197,258
EBRD - electronic toll sistem	2,794	586
EBRD - corridor 8	13,794	2,843
EIB II	10,154	19,254
IBRD - The World Bank	164,202	14,680
Total interest expenses	501,990	241,620

15. CASH AND CASH EQUIVALENTS

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

	2023	2022
	(000) MKD	(000) MKD
Denar accounts at domestic banks	1,894,619	1,074,735
Cash in hand	3,669	3,754
Foreign currency accounts at domestic banks	41,231	34,137
Letters of credit	-	-
Cash in hand - foreign currency	496	504
Allocated funds	4,139	8,453
Foreign exchange accounts	941,849	917,207
Total cash and cash equivalents	2,886,003	2,038,790

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	128,505	96,625
Account (SA) for EBRD Loans	526,257	533,504
Deposits from litigation	287,087	287,078
Total	941,849	917,207

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16. INVENTORIES

Inventories as at 31 December consist of the following:

	2023	2022
	(000) MKD	(000) MKD
Materials	2,274	2,083
Total inventories	2,274	2,083

17. GRANTED LOANS

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

	2023	2022
	(000) MKD	(000) MKD
<i>Loans to:</i>		
JP Macedonian Railways	2,340	7,755
Customs office of the RM	3,986	13,209
	6,326	20,964
Current portion of long term loans	(6,326)	(13,976)
Total loans given	-	6,988

Loans given in amount of 6,326 thousands of MKD (2022: 20,964 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

	2023	2022
	(000) MKD	(000) MKD
<i>Advances given to:</i>		
Behtel Enka	3,074,750	-
Strabak AG podruznica Skopje	-	142,416
GD Granit AD Skopje	-	126,054
Ilinden Struga	103,052	122,499
Aselsan	32,348	39,946
Hidrostroy Sofia	-	34,736
Alpine Podruznica Skopje	30,181	30,181
Pelagonija AD Gostivar	-	20,287
Gradezen institut	-	19,027
Zikol DOOEL	16,049	10,972
Vato DOOEL	-	9,955
Elektrosoft Skopje	9,047	9,047
Sinohidro Podruznica Skopje	-	6,956
Bitem	2,164	-
Total advances for property and equipment	192,841	572,076

19. INCOME TAX RECEIVABLES AND OTHER CURRENT ASSETS

	2023	2022
	(000) MKD	(000) MKD
Income tax receivables	-	-
Other current assets	40,855	40,427
Income tax receivables and other current assets	40,855	40,427

20. PROPERTY AND EQUIPMENT

Changes of property and equipment during 2023 are as follows:

	Buildings (000) MKD	Roads (000) MKD	Equipment (000) MKD	Construction in progress (000) MKD	Total (000) MKD
Cost or revaluation					
Balance as at 1 January	18,654	128,787,656	296,592	55,048,838	184,151,740
Additions	-	3,417,214	22,195	20,443,659	23,883,068
Transfer from P/E in progress	-	7,997,214	-	(7,997,214)	-
Capitalized exchange rate differences	-	-	-	516,850	516,850
Reclassifying	-	-	-	-	-
Corrections (Note 24)	-	-	-	-	-
Released provision for court litigations (Note 28.b)	-	-	-	-	-
Write-off and other deductions	-	-	(13,197)	-	(13,197)
Balance as at 31 December	18,654	140,202,084	305,590	68,012,133	208,538,461
Accumulated depreciation					
Balance as at 1 January	9,680	65,137,881	238,265	-	65,385,826
Depreciation	185	2,082,773	16,227	-	2,099,185
Disposal of fixed assets	-	-	-	-	-
Write-off and other deductions	-	-	(13,191)	-	(13,191)
Balance as at 31 December	9,865	67,220,654	241,301	-	67,471,820
Carrying amount as at:					
31.December 2023	8,789	72,981,430	64,289	68,012,133	141,066,641
31.December 2022	8,974	63,649,775	58,327	55,048,838	118,765,914

Construction in progress as at 31 December 2023 in total amount of 68,012,133 thousands of MKD (2022: 55,048,837 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. In 2023, the company has received roads in amount of 9,715,766 MKD free of charge.

21. INTANGIBLE ASSETS

Changes during 2023:

	Licenses (000) MKD	Software (000) MKD	Total (000) MKD
Cost			
Balance as at 1 January	1,634	52,866	54,500
Additions	-	4,656	4,656
Balance as at 31 December	1,634	57,522	59,156
Accumulated amortization			
Balance as at 1 January	1,634	45,489	47,123
Amortization	-	5,910	5,910
Balance as at 31 December	1,634	51,399	53,033
Carrying amount as at:			
31.December 2023	-	6,123	6,123
31.December 2022	-	7,377	7,377

22. TRADE PAYABLES

Trade payables as at 31 December consist of the following:

	2023 (000) MKD	2022 (000) MKD
Domestic payables for property, equipment and expenses	2,078,241	776,322
Domestic payables for retained deposits	1,660,217	1,342,799
Foreign payables	32,394	5,317
Total liabilities to suppliers	3,770,852	2,124,438

Domestic payables in amount of 2,078,241 thousands of MKD (2022: 776,322 thousands of MKD) mostly include obligations related to unpaid interim statements towards contractors.

Domestic payables for retained deposits to construction companies in amount of 1,660,217 thousands of MKD (2022: 1,342,799 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:

	2023	2022
	(000) MKD	(000) MKD
Liabilities for income tax	112,593	10,405
Interest liabilities	518,674	339,717
Liabilities for vehicles registration (refund)	-	16,750
Liabilities for concessions	-	153
Liabilities for expropriation of land	124,754	75,511
Other liabilities	596	143
Total other current liabilities	756,617	442,679

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% (2022: 10%).

24. GOVERNMENT GRANTS (DEFERRED INCOME)

Government grants as at 31 December consist of following:

	2023	2022
	(000) MKD	(000) MKD
Balance as at 1 January	1,853,629	1,892,655
Received grants during the period	14,536,044	74,821
Corections	-	-
Released to the income statement	(116,356)	(113,847)
Balance as at 31 December	16,273,317	1,853,629

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 530,116 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 13,031 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 (2022: 171,077 thousands of MKD). These deferred income should be amortized commencing from the date of road activation.

24. GOVERNMENT GRANTS (DEFERRED INCOME) (Continued)

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 1,036,079 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 103,325 thousands of MKD.

The government grants arise from projects for the construction of Corridor 8, the section Tetovo - Gostivar-Bukojcani and the highway Trebanishta-Struga-Kafasn by the Ministry of Transport and Communications with funds from the budget of the Republic of North Macedonia, which roads belong to the Company in the amount of 14,500,000 thousand 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.

The grant from the European Bank for Reconstruction and Development is a dedicated grant for financial assistance in the implementation of the project for the rehabilitation of the road Kriva Palanka - Deve Bair, as part of the eastern section of the Pan-European Corridor 8 in the amount of MKD 36,044 thousand. These deferred revenues will begin to be amortized by putting into use the road for which they are intended.

25. LONG-TERM INTEREST BEARING BORROWINGS

a) Type analysis

Bank or creditor	Currency	Principal outstanding 31.12.2023 in currency	Exchange rate 31.12.2023 MKD	Interest rate %	terms and period of repayment	Principal outstanding 31.12.2023 MKD (000)	Principal outstanding 31.12.2022 MKD (000)
EIB II	EUR	1,752,265	61.4950	3.62 % p/y	36 semiannually installments 15/11/2006 - 15/05/2024	107,757	323,258
IBRD 4859 MK	EUR	610,240	61.4950	Libor	24 semiannually installments 15/12/2012 - 15/06/2024	37,527	112,577
IBRD 7532 MK	EUR	21,582,328	61.4950	Libor	30 semiannually installments 15/09/2013 - 15/03/2028	1,327,205	1,621,155
EBRD	EUR	-	61.4950	Libor +1	22 semiannually installments 05/12/2012 - 05/06/2023	-	148,766
The Export-Import Bank of China (Miladinovci - Stip)	USD	149,589,743	55.6516	2 % p/y	60 months grace period and 180 months repayment period	8,324,909	9,445,741
The Export-Import Bank of China (Kicevo - Ohrid)	USD	395,502,566	55.6516	2 % p/y	60 months grace period and 180 months repayment period	22,010,351	20,398,343
IBRD 8420 MK	EUR	40,057,621	61.4950	Libor	32 semiannually installments 15/10/2020 - 15/10/2036	2,463,343	2,645,644
EBRD 41981 - Project corridor X	EUR	4,980,002	61.4950	Libor +1	22 semiannually installments 20.10.2015-20.04.2026	306,245	428,731
EBRD 47955 - National roads Program	EUR	117,585,211	61.4950	Libor +1	48 months grace period and 132 months repayment period 20.02.2019 - 20.08.2029	7,230,903	5,667,176
IBRD 8525 MK	EUR	57,996,587	61.4950	Libor	35 months grace period from 31.12.2020 and 40 semi annual repayment period 15.11.2023-15.05.2043	3,566,500	2,480,088
EBRD 47829	EUR	45,115,634	61.4950	Libor +1	23 semiannually installments 20/03/2020 - 20/03/2031	2,774,386	3,144,212
EBRD 49118	EUR	7,704,941	61.4950	Libor +1	24 semiannually installments 15/04/2022-15/10/2033	473,815	381,592
Ministry od finance RNM	MKD	2,730,636	1	-	grace period up to 01.01.2022 and 84 monthly installments	2,730,636	3,245,818
Ministry od finance RNM	MKD	848,473	1	-	grace period up to 01.02.2023 and 120 monthly installments	848,473	934,099
Ministry od finance RNM	MKD	543,327	1	-	grace period up to 01.10.2025 and 120 monthly installments	543,327	543,327
EBRD 50769	EUR	8,552,500	61.4950	Libor +1	24 semiannually installments 10/06/2023-10/12/2034	525,936	573,732
EBRD 49119 - corridor 8	EUR	417,000	61.4950	Libor	24 semiannually installments 15/12/2025-15/12/2027	25,643	25,643
EBRD 52508	EUR	1,676,000	61.4950	Libor +1	24 semiannually installments 20/09/2026-20/03/2038	103,066	-
Ministry od finance RNM	MKD	1,109,928	1.0000	-	grace period up to 01.02.2026 and 120 monthly installments	1,109,928	-
Ministry od finance RNM	MKD	1,107,116	1.0000	-	grace period up to 01.10.2028 and 120 monthly installments	1,107,116	-
Total foreign currency borrowings						55,617,065	52,119,900
Minus: Current portion of long-term foreign currency borrowings						(6,002,243)	(5,504,158)
Total net foreign currency borrowings						49,614,822	46,615,742
Total long - term interest bearing borrowings						49,614,822	46,615,742

25. LONG-TERM INTEREST BEARING BORROWINGS (Continued)

b) Changes during the year	2023	2022
	MKD (000)	MKD (000)
Balance as at 1 January	52,119,900	48,727,448
New borrowings	10,196,409	6,864,508
Repayment of principal of foreign borrowings	(5,603,338)	(5,018,903)
Losses (Gains) on exchange, net	(1,095,906)	1,546,951
Unused funds - repayment	-	(104)
Balance as at 31 December	55,617,065	52,119,900
c) Maturity of borrowings	2023	2022
	MKD (000)	MKD (000)
In period of 1 year	6,002,243	5,504,158
In period of 1 to 3 years	12,136,263	10,703,552
Over 3 years	37,478,559	35,912,190
Total	55,617,065	52,119,900

26. EQUITY

As at 31 December 2023, 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>2023</u>	<u>2022</u>
Net Cash Flows Arising From Operating Activities	22,032,902	7,360,330
Plus all interest charged on accrual basis	501,990	241,620
Minus Cash Flows Arising From Operating Activities for such period which are applied during that period to acquiring long-term assets	(25,427,730)	(9,137,722)
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	10,196,409	6,864,508
Total	7,303,571	5,328,736
Sum of the principal repayment during such period	5,603,338	5,018,903
Sum of all interest charged on an accruals basis on all Financial Debt during such period	501,990	241,620
Total	6,105,328	5,260,523
Debt service coverage ratio (DSCR)	1.2	1.0

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>2023</u>	<u>2022</u>
Revenues from all sources	10,623,885	9,753,197
Plus non-operating income	155,832	311,250
Minus all expenses related to operations, excluding depreciation, non cash operating charges and interest	(3,017,472)	(2,570,651)
Total	7,762,245	7,493,796
Sum of the principal repayment during such period	5,603,338	5,018,903
Sum of all interest charged on an accruals basis on all Financial Debt during such period	501,990	241,620
Total	6,105,328	5,260,523
Estimated net revenues / estimated debt service ratio	1.3	1.4

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>2023</u>	<u>2022</u>
Current assets	2,993,781	2,177,140
Estimated net revenues for next year	8,050,000	7,330,800
Total	11,043,781	9,507,940
Current liabilities	10,708,162	8,228,716
Current ratio	1.0	1.2

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:

Basis:	2023 (000) MKD	2022 (000) MKD
Debts	137,107	137,107
Claims for damages	231,074	175,426
Arbitration dispute	281,864	281,864
Other	12,336	1,915
Total	662,381	596,312

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 Sabadell 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. There are several proceedings in progress before the regular courts in Spain, which were initiated by Rubau for the issuance of temporary measures. In two of the proceedings, Rubau is obliged to pay to the account of JPDP an amount of EUR 63,267.00 in the name of expenses, as well as an amount of 295,631.43 EUR and an amount of 3.114.00 EUR expenses. Proceedings are ongoing before the Commercial

28. CONTINGENCIES AND PROVISIONS (Continued)

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. On April 27, 2023, the Basic Civil Court in Skopje with Decision 140/22 opened bankruptcy proceedings against AD Beton. JPDP reported a claim in the bankruptcy procedure for 150,158,223 MKD principal debt in the name of damages with interest and costs. The procedure before the Permanent Selected Court-Arbitration at the Chamber of Commerce of North Macedonia has been stopped. The arbitration council proposes to wait for the outcome of the announced reorganization of AD Beton before making the final decision on the jurisdiction of the arbitration to act on the matter.

b) Provisions

	2023	2022
	(000) MKD	(000) MKD
Balance as at 1 January	<u>157,441</u>	<u>209,063</u>
Provision for court litigations through balance sheet	-	-
Provision for court litigations through income statement	1,246	11,789
Paid amount	(588)	(1,837)
Released provision for court litigations through balance sheet	-	(61,574)
Released provision for court litigations through income statement	20,351	-
Balance as at 31 December	<u>178,450</u>	<u>157,441</u>

c) guarantees

The Enterprise has not given bank guarantees.

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 2023 there are no related party transactions (2022: none).

30. POST BALANCE SHEET EVENTS

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