

**PUBLIC ENTERPRISE  
FOR STATE ROADS**

**INDEPENDENT AUDITOR'S REPORT AND  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDING  
31 DECEMBER 2018**

**Skopje, June 2019**

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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 2018, and the Statement of Comprehensive Income, Statement of changes in equity and Cash flow statement for the period then ended, and a summary of significant accounting policies and other explanatory notes.

*Management's Responsibility for the Financial Statements*

Management of the Enterprise for the preparation and fair presentation of these financial statements in accordance with the accounting standards which are accepted in the Republic of Macedonia and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Audit Law and International Standards on Auditing which are accepted and published in the Official gazette of the Republic of 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 19 to the financial statements, as at 31 December 2018, the Enterprise has capitalized foreign exchange losses, arising from payment in USD currency to one of the contractors of the projects in amount of 807,645 thousands of MKD as construction in progress. 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 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 807,645 thousands of MKD, as well as the cost of construction in progress. Our report for the financial statements for the previous year was also qualified for the same reason for the amount of 487,920 thousands of MKD.

As it is presented in Note 19 to the financial statements, as at 31 December 2018, the Enterprise has construction in progress in municipality roads in amount of 4,227,607 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 the 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 2018, and of its financial performance and its cash flows for the year then ended in accounting standards which are accepted in the Republic of Macedonia.

*Emphasis of matter*

As it is presented in Notes 19 and 24 to the financial statements, as at 31 December 2018, the Enterprise has property in progress – construction of highway Kicevo – Ohrid in total amount of 17,701,901 thousands of MKD which investment is still not finished and also the time limit for utilization of the loan funds from Export-Import Bank China has passed at the beginning of 2019. Due to the fact that as at the date of this report, no Appendix has been made for extension of the period and amount of the Loan agreement, we draw attention to the importance of this issue for the financial statements of the Enterprise in the future period because of existence of risk for disinvesting of the assets in progress.

Skopje, 27 June 2019

**Certified Auditor**

Goce Hristov

**Manager and Certified Auditor**

Antonio Veljanov



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

	Notes	2018 (000) MKD	2017 (000) MKD
Revenues from allowances	8	7,030,648	6,415,543
Other income	9	48,853	48,033
		<b>7,079,501</b>	<b>6,463,576</b>
Costs from basic activities	10	(1,067,800)	(1,198,748)
Depreciation		(1,680,553)	(1,590,146)
Employees costs	11	(259,362)	(210,332)
Other costs	12	(433,673)	(337,378)
Provisions		(27,530)	-
<b>OPERATING PROFIT</b>		<b>3,610,583</b>	<b>3,126,972</b>
Financing income	13	574,290	2,533,721
Financing expenses	14	(1,685,615)	(134,834)
<b>PROFIT BEFORE TAXATION</b>		<b>2,499,258</b>	<b>5,525,859</b>
Income tax	22	-	(346,979)
<b>NET PROFIT</b>		<b>2,499,258</b>	<b>5,178,880</b>
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>2,499,258</b>	<b>5,178,880</b>

Skopje, 12.03.2019

Director  
Zoran Kitanov



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

	<b>Notes</b>	<b>2018 (000) MKD</b>	<b>2017 (000) MKD</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	15	3,036,905	2,575,703
Loans given (Current part)	17	13,977	13,982
Income tax receivables and other current assets		320,605	6,834
Accrued income		31,233	23,315
Inventories	16	1,371	1,395
<b>Total current assets</b>		<b>3,404,091</b>	<b>2,621,229</b>
<b>Non-Current assets</b>			
Loans given	17	62,894	76,852
Advances for Property and Equipment	18	3,317,213	4,246,450
Intangible assets	20	23,015	28,081
Property and Equipment	19	87,563,473	77,742,502
<b>Total Non-current assets</b>		<b>90,966,595</b>	<b>82,093,885</b>
<b>TOTAL ASSETS</b>		<b>94,370,686</b>	<b>84,715,114</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Trade Payables	21	3,681,829	2,005,008
Current maturities of long term interest bearing borrowings	24	1,964,342	1,307,441
Other liabilities	22	361,022	453,004
Provisions	27	136,918	132,441
<b>Total Current liabilities</b>		<b>6,144,111</b>	<b>3,897,894</b>
<b>Non-Current liabilities</b>			
Government grants (deferred income)	23	792,481	799,824
Long term interest bearing borrowings	24	35,003,070	30,085,630
<b>Total Non-Current liabilities</b>		<b>35,795,551</b>	<b>30,885,454</b>
<b>Total liabilities</b>		<b>41,939,662</b>	<b>34,783,348</b>
<b>Equity</b>			
State owned capital	25	5,000	5,000
Revaluation reserves		9,796,453	9,796,453
Accumulated profit (loss)		42,629,571	40,130,313
<b>Total equity</b>		<b>52,431,024</b>	<b>49,931,766</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>94,370,686</b>	<b>84,715,114</b>

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

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	<b>2018</b> <b>(000) MKD</b>	<b>2017</b> <b>(000) MKD</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash inflows from allowances	7,022,730	6,452,123
Cash inflows from other operating activities	(287,500)	22,451
Payments to suppliers for basic activities	(1,043,869)	(1,210,104)
Paid wages	(259,362)	(210,332)
Payments for other operating expenses	(433,322)	(337,425)
Paid income tax	(167,186)	(377,428)
Received interest	7,549	3,759
<b>Net cash flow from operating activities</b>	<b>4,839,040</b>	<b>4,343,044</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Loans given/collected to other entities	13,963	12,151
Acquisition of intangible assets	(4,048)	(24,311)
Acquisition of PPE	(9,824,433)	(9,402,542)
Paid advances for PPE, net	929,237	1,299,102
<b>Net cash flow from investing activities</b>	<b>(8,885,281)</b>	<b>(8,115,600)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Paid interest	(22,772)	(34,759)
Received/Repaid long-term borrowings, net	4,530,215	4,315,293
<b>Net cash flow from financing activities</b>	<b>4,507,443</b>	<b>4,280,534</b>
<b>Net increase (decrease) of cash and cash equivalents</b>	<b>461,202</b>	<b>507,978</b>
<b>Cash and cash equivalents at the begging of the year</b>	<b>2,575,703</b>	<b>2,067,725</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>3,036,905</b>	<b>2,575,703</b>



**PUBLIC COMPANY FOR STATE ROADS**

**STATEMENT OF CHANGES IN EQUITY for the year ended at 31 December**

	<b>State owned capital</b>	<b>Revaluation reserve</b>	<b>Reinvested profit</b>	<b>Accumulated profit (loss)</b>	<b>Total equity</b>
	<b>(000) MKD</b>	<b>(000) MKD</b>	<b>(000) MKD</b>	<b>(000) MKD</b>	<b>(000) MKD</b>
<b>Balance as at 1 January 2017</b>	<b>5,000</b>	<b>9,796,453</b>	<b>1,035,873</b>	<b>33,915,560</b>	<b>44,752,886</b>
Adjustments	-	-	-	-	-
<b>Balance as at 1 January 2017 - restated</b>	<b>5,000</b>	<b>9,796,453</b>	<b>1,035,873</b>	<b>33,915,560</b>	<b>44,752,886</b>
Profit (loss) for the year	-	-	-	5,178,880	<b>5,178,880</b>
Reinvested profit from previous year according to Board of Directors Decision and Government of RM approval	-	-	2,067,617	(2,067,617)	-
Utilized reinvested profit	-	-	(1,035,873)	1,035,873	-
<b>Balance as at 31 December 2017</b>	<b>5,000</b>	<b>9,796,453</b>	<b>2,067,617</b>	<b>38,062,696</b>	<b>49,931,766</b>
<b>Balance as at 1 January 2018</b>	<b>5,000</b>	<b>9,796,453</b>	<b>2,067,617</b>	<b>38,062,696</b>	<b>49,931,766</b>
Reconciliation	-	-	-	-	-
<b>Balance as at 1 January 2018</b>	<b>5,000</b>	<b>9,796,453</b>	<b>2,067,617</b>	<b>38,062,696</b>	<b>49,931,766</b>
Profit (loss) for the year	-	-	-	2,499,258	<b>2,499,258</b>
Reinvested profit from previous year according to Board of Directors Decision and Government of RM approval	-	-	5,178,880	(5,178,880)	-
Utilized reinvested profit	-	-	(2,067,617)	2,067,617	-
<b>Balance as at 31 December 2018</b>	<b>5,000</b>	<b>9,796,453</b>	<b>5,178,880</b>	<b>37,450,691</b>	<b>52,431,024</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 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 2018 is 447 employees (2017: 386 employees).

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

## **2. Basis of preparation of the financial statements**

### **2.1. Basis of preparation**

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

The financial statements were prepared for the period ending 31 December 2018 and 2017. The figures for the current and the previous period are shown in thousands of Macedonian denars (000 MKD). Where appropriate, comparative figures have been adjusted and harmonized, in order to match the current year presentation.

### **2.2. Basic accounting methods**

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

### **2.3. Accounting estimates and judgements**

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

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

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

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

### **2.4. Going concern concept**

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

### **3. Basic accounting policies and estimates**

#### **3.1. Recognition of revenues**

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

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

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

#### **3.2. Recognition of expenses**

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

#### **3.3. Foreign currencies**

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

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

Most of the Enterprise's transactions are in EUR and USD. The exchange rates ruling at 31 December in 2018 and 2017 for EUR and USD are as it follows:

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<b>In MKD</b>	<b>1 EUR</b>	<b>1 USD</b>
31 December 2018	61.4950 MKD	53.6887 MKD
31 December 2017	61.4907 MKD	51.2722 MKD

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**3. Basic accounting policies and estimates (Continued)**

**3.4. Cash and cash equivalents**

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

**3.5. Receivables for advances**

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

**3.6. Inventories**

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

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

**3.7. Advances for property and equipment**

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

**3.8. Property and equipment**

***(1) Basic presentation***

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

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

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

**3. Basic accounting policies and estimates (Continued)**

**3.8. Property and equipment (Continued)**

**(2) Depreciation**

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

The basic depreciation annual rates used in 2018 compare to 2017 are as follows:

<b>Asset</b>	<b>2018</b>	<b>2017</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 24 to the financial statements.

### **3. Basic accounting policies and estimates (Continued)**

#### **3.11. State-owned capital**

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

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

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

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

#### **3.12. Provisions**

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

#### **3.13. Contingencies**

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

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

**3. Basic accounting policies and estimates (Continued)**

**3.14. Government grants (deferred income)**

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

**3.15. Income tax (current and deferred)**

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

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 (2017: 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 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 2018 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 2018 and 2017 is as it follows:

<b>In (000) MKD</b>	<b>2018</b>	<b>2017</b>
Debt	36,967,412	31,393,071
Cash and cash equivalents	(3,036,905)	(2,575,703)
<b>Net debt (cash)</b>	<b>33,930,507</b>	<b>28,817,368</b>
<b>Total equity</b>	<b>52,431,024</b>	<b>49,931,766</b>
<b>% of debt</b>	<b>65%</b>	<b>58%</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 2018 and 2017 is as follows:

<b>In (000) MKD</b>	<b>Assets</b>		<b>Liabilities</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
EUR	2,048,745	1,464,053	11,702,660	10,450,927
USD	610	501	25,264,752	20,942,144
other	1,969	1,474	-	-
	<b>2,051,324</b>	<b>1,466,028</b>	<b>36,967,412</b>	<b>31,393,071</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%	
	2018	2017	2018	2017
EUR	(965,392)	(898,687)	965,392	898,687
USD	(2,526,414)	(2,094,164)	2,526,414	2,094,164
other	197	147	(197)	(147)
<b>Net effect</b>	<b>(3,491,609)</b>	<b>(2,992,704)</b>	<b>3,491,609</b>	<b>2,992,704</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	
	2018	2017
<b>Financial assets</b>		
<i>Non-interest bearing:</i>		
- Cash and cash equivalents	1,934	1,870
- Other assets	7,359	6,834
	<b>9,293</b>	<b>8,704</b>
<i>Variable interest bearing :</i>		
- Given loans	76,871	90,834
- Cash and cash equivalents	3,034,971	2,573,833
	<b>3,111,842</b>	<b>2,664,667</b>
	<b>3,121,135</b>	<b>2,673,371</b>
<b>Financial liabilities</b>		
<i>Non-interest bearing:</i>		
- Trade payables	3,681,829	2,005,008
- Other current liabilities	297,570	245,904
	<b>3,979,399</b>	<b>2,250,912</b>
<i>Variable interest bearing:</i>		
- Borrowings	11,702,660	10,450,927
	<b>11,702,660</b>	<b>10,450,927</b>
<i>Fixed interest bearing:</i>		
- Borrowings	25,264,752	20,942,144
	<b>25,264,752</b>	<b>20,942,144</b>
	<b>40,946,811</b>	<b>33,643,983</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	
	2018	2017	2018	2017
Borrowings	(117,027)	(104,509)	117,027	104,509
Bank deposits	769	908	(769)	(908)
<b>Net effect</b>	<b>(116,258)</b>	<b>(103,601)</b>	<b>116,258</b>	<b>103,601</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 2018:

In (000) MKD	Less than 1 month	1 to 3 month	3 to 12 month	Over 12 months	Total
Cash	3,036,905	-	-	-	3,036,905
Given loans	-	-	13,977	62,894	76,871
Other receivables	7,359	-	-	-	7,359
	<b>3,044,264</b>	<b>-</b>	<b>13,977</b>	<b>62,894</b>	<b>3,121,135</b>
Trade payables	3,681,829	-	-	-	3,681,829
Borrowings	-	221,346	1,742,996	35,003,070	36,967,412
Other payables	297,570	-	-	-	297,570
	<b>3,979,399</b>	<b>221,346</b>	<b>1,742,996</b>	<b>35,003,070</b>	<b>40,946,811</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 2017:

<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	2,575,703	-	-	-	2,575,703
Given loans	-	-	13,982	76,852	90,834
Other receivables	6,834	-	-	-	6,834
	<b>2,582,537</b>	<b>-</b>	<b>13,982</b>	<b>76,852</b>	<b>2,673,371</b>
Trade payables	2,005,008	-	-	-	2,005,008
Borrowings	-	251,958	1,055,483	30,085,630	31,393,071
Other payables	245,904	-	-	-	245,904
	<b>2,250,912</b>	<b>251,958</b>	<b>1,055,483</b>	<b>30,085,630</b>	<b>33,643,983</b>

**7. Segment reporting**

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

## **8. REVENUES FROM ALLOWANCES**

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

	<b>2018</b> <b>(000) MKD</b>	<b>2017</b> <b>(000) MKD</b>
Revenue from petrol price (State Budget transfers)	2,979,886	2,542,061
Revenue from highway utilization pay-toll	2,494,201	2,381,825
Revenue from motor vehicles registration	1,556,561	1,491,657
<b>Total revenues from allowances</b>	<b>7,030,648</b>	<b>6,415,543</b>

## **9. OTHER OPERATING INCOME**

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

	<b>2018</b> <b>(000) MKD</b>	<b>2017</b> <b>(000) MKD</b>
Income from compensations by other entities	23,322	20,844
Income from free of charge assets (Note 19)	22,582	22,582
Income from releasing of provisions	-	-
Other income	2,949	4,607
<b>Total other operating income</b>	<b>48,853</b>	<b>48,033</b>

## **10. COST FOR BASIC ACTIVITIES**

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

	<b>2018</b> <b>(000) MKD</b>	<b>2017</b> <b>(000) MKD</b>
Expenses for road reconstruction and maintenance	767,799	897,244
Transfer of allowances to local communities	300,001	301,504
<b>Total cost for basic activities</b>	<b>1,067,800</b>	<b>1,198,748</b>

### 11. EMPLOYEES EXPENSES

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

	<b>2018</b> <b>(000) MKD</b>	<b>2017</b> <b>(000) MKD</b>
Employees wages	235,892	200,255
Severance payments and bonuses	9,224	1,921
Business travel allowances	307	349
Expenses for transport	13,939	7,807
<b>Total</b>	<b>259,362</b>	<b>210,332</b>

### 12. OTHER OPERATING EXPENSES

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

	<b>2018</b> <b>(000) MKD</b>	<b>2017</b> <b>(000) MKD</b>
Expenses for monitoring and security of pay tolls	173,712	137,001
Bank fees	31,495	29,271
Public utility services expenses	65,446	44,385
Expenses for motor vehicles association fees	68,280	64,498
Other services	14,760	7,191
Maintenance and repairing expenses	41,198	28,143
Material costs	11,991	12,110
Insurance costs	974	1,245
Representation	923	1,260
Expenses for court litigations	-	-
Other operating expenses	24,894	12,274
<b>Total other operating expenses</b>	<b>433,673</b>	<b>337,378</b>

### 13. FINANCING INCOME

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

	<b>2018</b> <b>(000) MKD</b>	<b>2017</b> <b>(000) MKD</b>
Interest income	7,549	3,759
Gains on exchange	566,741	2,529,962
<b>Total financing income</b>	<b>574,290</b>	<b>2,533,721</b>

#### **14. FINANCING EXPENSES**

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

	<b>2018</b>	<b>2017</b>
	<b>(000) MKD</b>	<b>(000) MKD</b>
Interest expenses from borrowings	61,484	81,765
Penal interest	12,560	1,577
Loss on exchanges	1,611,571	51,492
<b>Total financing expenses</b>	<b>1,685,615</b>	<b>134,834</b>

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

	<b>2018</b>	<b>2017</b>
	<b>(000) MKD</b>	<b>(000) MKD</b>
IBRD - The World Bank	661	868
EBRD - local and regional roads	4,014	5,644
EIB I	1,257	10,747
EIB II	55,384	64,506
EBRD - ring road	168	-
<b>Total interest expenses</b>	<b>61,484</b>	<b>81,765</b>

#### **15. CASH AND CASH EQUIVALENTS**

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

	<b>2018</b>	<b>2017</b>
	<b>(000) MKD</b>	<b>(000) MKD</b>
Denar accounts at domestic banks	1,060,631	1,198,722
Cash in hand	1,821	1,787
Foreign currency accounts at domestic banks	915,958	647,835
Letters of credit	-	-
Cash in hand - foreign currency	113	83
Foreign exchange accounts in Sparkasse bank	1,058,382	727,276
<b>Total cash and cash equivalents</b>	<b>3,036,905</b>	<b>2,575,703</b>

Foreign exchange accounts in Sparkasse Bank Macedonia AD Skopje as at 31 December 2018 are comprised of withdrawn but still not used cash from foreign creditors and are as follows:

Account (SA) for IBRD Loans	301,500	200,720
Account (SA) for EBRD Loans	756,882	526,556
<b>Total</b>	<b>1,058,382</b>	<b>727,276</b>



## **16. INVENTORIES**

Inventories as at 31 December consist of the following:

	<b>2018</b> <b>(000) MKD</b>	<b>2017</b> <b>(000) MKD</b>
Materials	1,371	1,395
<b>Total inventories</b>	<b>1,371</b>	<b>1,395</b>

## **17. GRANTED LOANS**

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

	<b>2018</b> <b>(000) MKD</b>	<b>2017</b> <b>(000) MKD</b>
<i>Loans to:</i>		
JP Macedonian Railways	28,440	33,605
Customs office of the RM	48,431	57,229
	<b>76,871</b>	<b>90,834</b>
Current portion of long term loans	(13,977)	(13,982)
<b>Total loans given</b>	<b>62,894</b>	<b>76,852</b>

Loans given in amount of 62,894 thousands of MKD (2017: 76,852 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>2018</b> <b>(000) MKD</b>	<b>2017</b> <b>(000) MKD</b>
<b>Advances given to:</b>		
Sinohidro Podružnica Skopje	1,912,791	3,549,697
Konstrukciones Rubau Spain	276,735	293,589
GD Granit AD Skopje	487,439	261,986
Aselsan	56,344	86,957
Kompanija Eskavatori DOO	274,595	-
Gradezen Institut Makedonija	259,210	-
Alpine Podružnica Skopje	30,181	30,181
EGIS International	-	2,035
Elcom TDS Sistemi	2,596	3,435
Elektrosoft Skopje	9,047	9,047
Aitoniks	-	7,565
DG Beton AD Skopje	8,275	1,958
<b>Total advances for property and equipment</b>	<b>3,317,213</b>	<b>4,246,450</b>

**PUBLIC COMPANY FOR STATE ROADS**  
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**19. PROPERTY AND EQUIPMENT**

Changes of property and equipment during 2018 are as follows:

	<b>Buildings</b> <b>(000) MKD</b>	<b>Roads</b> <b>(000) MKD</b>	<b>Equipment</b> <b>(000) MKD</b>	<b>Construction</b> <b>in progress</b> <b>(000) MKD</b>	<b>Total</b> <b>(000) MKD</b>
<b>Cost or revaluation</b>					
<b>Balance as at 1 January</b>	<b>18,654</b>	<b>99,826,610</b>	<b>207,344</b>	<b>33,634,803</b>	<b>133,687,411</b>
Additions	-	1,687,090	1,070	9,804,576	11,492,736
Transfer from P/E in progress	-	28,370	33,671	(62,041)	-
Disposal of fixed assets	-	-	-	-	-
Capitalized exchange rate differences	-	-	-	-	-
Free of charge additions	-	-	-	-	-
<b>Balance as at 31 December</b>	<b>18,654</b>	<b>101,542,070</b>	<b>242,085</b>	<b>43,377,338</b>	<b>145,180,147</b>
<b>Accumulated depreciation</b>					
<b>Balance as at 1 January</b>	<b>8,754</b>	<b>55,757,106</b>	<b>179,049</b>	-	<b>55,944,909</b>
Depreciation	185	1,662,136	9,117	-	1,671,438
Disposal of fixed assets	-	-	-	-	-
Free of charge additions	-	-	(3,610)	-	(3,610)
<b>Balance as at 31 December</b>	<b>8,939</b>	<b>57,419,242</b>	<b>184,556</b>	-	<b>57,612,737</b>
<b>Carrying amount as at:</b>					
<b>31.December 2017</b>	<b>9,715</b>	<b>44,122,828</b>	<b>53,592</b>	<b>43,377,338</b>	<b>87,563,473</b>
<b>31.December 2016</b>	<b>9,900</b>	<b>44,069,504</b>	<b>28,295</b>	<b>33,634,803</b>	<b>77,742,502</b>

Construction in progress as at 31 December 2018 in total amount of 43,377,338 thousands of MKD (2017: 33,634,803 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).

## 20. INTANGIBLE ASSETS

Changes during 2018:

	Licenses (000) MKD	Software (000) MKD	Total (000) MKD
<b>Cost</b>			
Balance as at 1 January	1,634	36,462	38,096
Additions	-	4,048	4,048
Balance as at 31 December	1,634	40,510	42,144
<b>Accumulated amortization</b>			
Balance as at 1 January	1,634	8,381	10,015
Amortization	-	9,114	9,114
Balance as at 31 December	1,634	17,495	19,129
<b>Carrying amount as at:</b>			
31.December 2018	-	23,015	23,015
31.December 2017	-	28,081	28,081

## 21. TRADE PAYABLES

Trade payables as at 31 December consist of the following:

	2018 (000) MKD	2017 (000) MKD
Domestic payables for property, equipment and expenses	1,875,743	683,373
Domestic payables for retained deposits	1,806,086	1,321,635
<b>Total liabilities to suppliers</b>	<b>3,681,829</b>	<b>2,005,008</b>

Domestic payables in amount of 1,875,743 thousands of MKD mostly include obligations related to unpaid interim statements towards contractor Sinohidro Podružnica Skopje in amount of 1,565,889 thousands of MKD. These liabilities are settled through borrowing from Eksport Import Bank of China (90%), and the other part of (10%) is financed by funds from the Public Enterprise.

Domestic payables for retained deposits to construction companies in amount of 1,806,086 thousands of MKD (2017: 1,321,635 thousands of MKD) arise from interim payment statement for building of roads and represent deposits to contractors as a security for quality performance, which are release at the end of the projects by adequate confirmation.

## **22. OTHER SHORT-TERM LIABILITIES**

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

	<b>2018</b>	<b>2017</b>
	<b>(000) MKD</b>	<b>(000) MKD</b>
Liabilities for income tax	-	167,186
Interest liabilities	287,323	236,051
Liabilities for vehicles registration	6,583	6,140
Liabilities for concessions	-	-
Liabilities for expropriation of land	63,452	39,914
Liabilities for net wages	-	-
Other liabilities	3,664	3,713
<b>Total other current liabilities</b>	<b>361,022</b>	<b>453,004</b>

Income tax liabilities in amount of 0 thousands of MKD (2017: 167,186 thousands of MKD) arise from calculated income tax of 10% 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 in 2018 (2017: 10% income tax calculated on financial result presented in the income statement, adjusted for non-deductible expenses less reinvested profit).

## **23. GOVERNMENT GRANTS (DEFERRED INCOME)**

Government grants as at 31 December consist of following:

	<b>2018</b>	<b>2017</b>
	<b>(000) MKD</b>	<b>(000) MKD</b>
<b>Balance as at 1 January</b>	<b>799,824</b>	<b>795,218</b>
Received grants during the period	15,239	27,188
Released to the income statement	(22,582)	(22,582)
<b>Balance as at 31 December</b>	<b>792,481</b>	<b>799,824</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 671,818 thousands of MKD.

These deferred income is amortized as income over the life of the depreciable assets commencing from date of their activation and put into use (01.01.2008). The annual amount of deferred income is in amount of 22,852 thousands of MKD.

Grant from EIB is grant for technical assistance for the implementation of Project for construction of Corridor 10 (Demir Kapija - Smokvica road). These assets are aimed for consulting services to SAFEGE (Consulting Engineers Belgium) for implementation of project for construction of Corridor 10 (Demir Kapija - Smokvica road) in amount of 150,587 thousands of MKD. These deferred income should be amortized commencing from the date of road activation.

## 24. LONG-TERM INTEREST BEARING BORROWINGS

### a) Type analysis

Bank or creditor	Currency	Principal outstanding 31.12.2018 in currency	Exchange rate 31.12.2018 MKD	Interest rate %	terms and period of repayment	Principal outstanding 31.12.2018 MKD (000)	Principal outstanding 31.12.2017 MKD (000)
EIB I	EUR	-	61.4950	2.5 % p/y	30 semiannually installments 15/10/2003 - 15/04/2018	-	144,064
EIB II	EUR	19,274,922	61.4950	3.62 % p/y	36 semiannually installments 15/11/2006 - 15/05/2024	1,185,311	1,400,725
EBRD	EUR	-	61.4950	Libor +1	21 semiannually installments 20/09/2007 - 20/03/2018	-	111,801
IBRD 4859 MK	EUR	6,712,644	61.4950	Libor	24 semiannually installments 15/12/2012 - 15/06/2024	412,794	487,813
IBRD 7532 MK	EUR	45,486,493	61.4950	Libor	30 semiannually installments 15/09/2013 - 15/03/2028	2,797,192	3,090,973
EBRD	EUR	24,470,640	61.4950	Libor +1	22 semiannually installments 05/12/2012 - 05/06/2023	1,504,822	1,839,098
The Export-Import Bank of China (Miladinovci - Stip)	USD	182,911,924	53.6887	2 % p/y	60 months grace period and 180 months repayment period	9,820,303	8,072,584
The Export-Import Bank of China (Kicevo - Ohrid)	USD	287,666,643	53.6887	2 % p/y	60 months grace period and 180 months repayment period	15,444,448	12,869,560
IBRD 8420 MK	EUR	34,921,630	61.4950	Libor	32 semiannually installments 15/10/2020 - 15/10/2036	2,147,506	1,843,413
EBRD 41981 - Project corridor X	EUR	6,649,621	61.4950	Libor +1	22 semiannually installments 20.10.2015-20.04.2026	408,918	293,540
EBRD 47955 - National roads Program	EUR	28,667,000	61.4950	Libor +1	48 months grace period and 132 months repayment period 20.02.2019 - 20.08.2029	1,762,877	1,226,739
IBRD 8525 MK	EUR	13,479,689	61.4950	Libor	35 months grace period from 31.12.2020 and 40 semi annual repayment period 15.11.2023-15.05.2043	828,933	12,759
EBRD 47829	EUR	10,640,000	61.4950	Libor +1	23 semiannually installments 20/03/2020 - 20/03/2031	654,307	-
<b>Total foreign currency borrowings</b>						<b>36,967,412</b>	<b>31,393,071</b>
Minus: Current portion of long-term foreign currency borrowings						(1,964,342)	(1,307,441)
<b>Total net foreign currency borrowings</b>						<b>35,003,070</b>	<b>30,085,630</b>
<b>Total long - term interest bearing borrowings</b>						<b>35,003,070</b>	<b>30,085,630</b>

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

<b>b) Changes during the year</b>	<b>2018 MKD (000)</b>	<b>2017 MKD (000)</b>
<b>Balance as at 1 January</b>	<b>31,393,071</b>	<b>29,550,197</b>
New borrowings	5,851,109	5,775,657
Repayment of principal of foreign borrowings	(1,320,894)	(1,460,363)
Losses (Gains) on exchange, net	1,044,126	(2,472,419)
Unused funds - repayment	-	-
<b>Balance as at 31 December</b>	<b>36,967,412</b>	<b>31,393,072</b>

  

<b>c) Maturity of borrowings</b>	<b>2018 MKD (000)</b>	<b>2017 MKD (000)</b>
In period of 1 year	1,964,342	1,307,441
In period of 1 to 3 years	3,991,847	3,553,513
Over 3 years	31,011,223	26,532,117
<b>Total</b>	<b>36,967,412</b>	<b>31,393,071</b>

**25. EQUITY**

As at 31 December 2018, the total equity of the Enterprise is in amount of 5,000 thousands of MKD and it is consist of cash share. Owner of the Enterprise is the Government of the Republic of Macedonia. The assets for the basic capital arise from the cash on the bank accounts of the Agency for state roads which were balance on the opening date of the Enterprise account. The capital is registered in the Central Registry of the Republic of Macedonia.

**26. COMMITMENTS FROM LOAN AGREEMENTS**

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

a) debt service coverage ratio - not less than 1.0

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

**PUBLIC ENTERPRISE FOR STATE ROADS**  
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**26. COMMITMENTS FROM LOAN AGREEMENTS (Continued)**

	<b>2018</b>	<b>2017</b>
Net Cash Flows Arising From Operating Activities	4,839,040	4,343,044
Plus all interest charged on accrual basis	61,484	81,765
Minus Cash Flows Arising From Operating Activities for such period which are applied during that period to acquiring long-term assets	(8,899,244)	(8,127,751)
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	5,851,109	5,775,657
<b>Total</b>	<b>1,852,389</b>	<b>2,072,715</b>
Sum of the principal repayment during such period	1,320,894	1,460,363
Sum of all interest charged on an accruals basis on all Financial Debt during such period	61,484	81,765
<b>Total</b>	<b>1,382,378</b>	<b>1,542,128</b>
<b>Debt service coverage ratio (DSCR)</b>	<b>1.3</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.

	<b>2018</b>	<b>2017</b>
Revenues from all sources	7,030,648	6,415,543
Plus non-operating income	48,853	48,033
Minus all expenses related to operations, excluding depreciation, non cash operating charges and interest	(1,760,835)	(1,746,458)
<b>Total</b>	<b>5,318,666</b>	<b>4,717,118</b>
Sum of the principal repayment during such period	1,320,894	1,460,363
Sum of all interest charged on an accruals basis on all Financial Debt during such period	61,484	81,765
<b>Total</b>	<b>1,382,378</b>	<b>1,542,128</b>
<b>Estimated net revenues / estimated debt service ratio</b>	<b>3.8</b>	<b>3.1</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.

	<b>2018</b>	<b>2017</b>
Current assets	3,404,091	2,621,229
Estimated net revenues for next year	5,055,500	4,860,000
<b>Total</b>	<b>8,459,591</b>	<b>7,481,229</b>
Current liabilities	6,144,111	3,897,894
<b>Current ratio</b>	<b>1.4</b>	<b>1.9</b>

## **27. CONTINGENCIES AND PROVISIONS**

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

### **a) Court procedures (contingencies)**

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

<b>Basis:</b>	<b>2018 (000) MKD</b>
Debts	66,740
Expropriation of land	39,997
Claims for damages	84,015
Other	1,622
<b>Total</b>	<b>192,374</b>

Above mentioned amounts do not include interest.

### **b) Provisions**

During 2018, the Enterprise has made provision for court litigations in balance sheet in amount of 17,035 thousands of MKD, an amount of 27,530 thousands of MKD in income statement, an amount of 7,090 thousands of MKD is paid, and released in amount of 32,997 thousands of MKD or balance of 136,918 thousands of MKD at 31 December. . During 2017, an amount of 7,278 thousands of MKD was paid from the provision for court litigations, and the balance of the provisions at the end of the year is 132,441 thousands of MKD.

## **28. POST BALANCE SHEET EVENTS**

There were no materially significant events after the balance sheet date that should be disclosed in the financial statements.