

**PUBLIC ENTERPRISE
FOR STATE ROADS**

**INDEPENDENT AUDITOR'S REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDING
31 DECEMBER 2015**

Skopje, July 2016

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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 2015, and the Statement of Comprehensive Income, Statement of changes in equity and Cash flow statement for the period then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Audit Law and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

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

Basis for qualified opinion

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

As it is presented in Note 19 to the financial statements, as at 31 December 2015, the Enterprise has construction in progress in amount of 1,193,155 thousands of MKD which include constructions on several road sections in Republic of Macedonia and also include constructions in progress which are still not activated as an asset and not depreciated due to the lack of documentation despite of the fact that they are in use. Because of the previous, we were not able to obtain reasonable assurance as to presented construction in progress and the calculated depreciation for the year.

As it is presented in Note 19 to the financial statements, as at 31 December 2015, the Enterprise has construction in progress in municipality roads in amount of 4,203,601 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 2015, 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.

Skopje, 20 July 2016

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	2015 (000) MKD	2014 (000) MKD
Revenues from allowances	8	5,751,668	4,802,314
Other income	9	53,563	63,968
		5,805,231	4,866,282
Costs from basic activities	10	(920,386)	(919,966)
Depreciation		(1,561,842)	(1,552,093)
Employees costs	11	(190,396)	(165,617)
Other costs	12	(308,462)	(401,013)
Provisions		-	(4,200)
OPERATING PROFIT		2,824,145	1,823,393
Financing income	13	31,249	46,714
Financing expenses	14	(1,796,202)	(937,706)
PROFIT BEFORE TAXATION		1,059,192	932,401
Income tax	22	(23,319)	(94,185)
NET PROFIT		1,035,873	838,216
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		1,035,873	838,216

Skopje, 19.07.2016



Acting Director
 Aleksandar Stojanov

PUBLIC COMPANY FOR STATE ROADS
BALANCE SHEET as at 31 December

	Notes	2015 (000) MKD	2014 (000) MKD
ASSETS			
Current assets			
Cash and cash equivalents	15	1,616,708	140,181
Loans given (Current part)	17	12,510	13,106
Other current assets and prepaid expenses		1,083	2,097
Accrued income		20,384	14,737
Inventories	16	1,563	2,818
Total current assets		1,652,248	172,939
Non-Current assets			
Loans given	17	104,994	118,774
Advances for Property and Equipment	18	6,321,864	6,126,401
Intangible assets	20	5,699	5,174
Property and Equipment	19	58,279,278	53,028,500
Total Non-current assets		64,711,835	59,278,849
TOTAL ASSETS		66,364,083	59,451,788
LIABILITIES AND EQUITY			
Current liabilities			
Trade Payables	21	1,555,956	1,579,317
Current maturities of long term interest bearing borrowings	24	1,414,097	1,316,612
Other liabilities	22	253,343	182,494
Provisions	27	137,117	124,320
Total Current liabilities		3,360,513	3,202,743
Non-Current liabilities			
Government grants (deferred income)	23	584,334	582,061
Long term interest bearing borrowings	24	20,394,928	14,679,223
Total Non-Current liabilities		20,979,262	15,261,284
Total liabilities		24,339,775	18,464,027
Equity			
State owned capital	25	5,000	5,000
Revaluation reserves		9,796,453	9,796,453
Accumulated profit (loss)		32,222,855	31,186,308
Total equity		42,024,308	40,987,761
TOTAL LIABILITIES AND EQUITY		66,364,083	59,451,788

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

	2015	2014
	(000) MKD	(000) MKD
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflows from allowances	5,746,021	4,787,577
Cash inflows from other operating activities	25,637	30,617
Payments to suppliers for basic activities	(851,039)	(943,150)
Paid wages	(190,396)	(165,642)
Payments for other operating expenses	(304,500)	(402,697)
Paid income tax	(94,095)	(197)
Received interest	8,013	428
	4,339,641	3,306,936
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans given/collected to other entities	14,376	14,943
Acquisition of intangible assets	(2,792)	(5,034)
Acquisition of PPE	(7,635,390)	(2,756,333)
Paid advances for PPE, net	(195,463)	(5,870,233)
	(7,819,269)	(8,616,657)
CASH FLOWS FROM FINANCING ACTIVITIES		
Paid interest	(65,924)	(181,668)
Received/Repaid long-term borrowings, net	5,022,079	5,453,322
	4,956,155	5,271,654
Net cash flow from financing activities	4,956,155	5,271,654
Net increase (decrease) of cash and cash equivalents	1,476,527	(38,067)
Cash and cash equivalents at the beginning of the year	140,181	178,248
Cash and cash equivalents at the end of the year	1,616,708	140,181

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

Changes during 2014 and 2015 are as follows:

	State owned capital	Revaluation reserve	Reinvested profit	Accumulated profit (loss)	Total equity
	(000) MKD	(000) MKD	(000) MKD	(000) MKD	(000) MKD
Balance as at 1 January 2014	5,000	9,796,453	-	30,348,092	40,149,545
Transfer to liabilities	-	-	-	-	-
Reconciliation with the registration	-	-	-	-	-
Balance as at 1 January 2014 - restated	5,000	9,796,453	-	30,348,092	40,149,545
Profit (loss) for the year	-	-	-	838,216	838,216
Revaluation reserve	-	-	-	-	-
Other	-	-	-	-	-
Balance as at 31 December 2014	5,000	9,796,453	-	31,186,308	40,987,761
Balance as at 1 January 2015	5,000	9,796,453	-	31,186,308	40,987,761
Transfer to liabilities	-	-	-	-	-
Reconciliation with the registration	-	-	-	-	-
Balance as at 1 January 2015 - restated	5,000	9,796,453	-	31,186,308	40,987,761
Profit (loss) for the year	-	-	-	1,035,873	1,035,873
Reinvested profit from previous year according to Board of Directors Decision and Government of RM approval	-	-	838,216	(838,216)	-
Other adjustments	-	-	-	674	674
Balance as at 31 December 2015	5,000	9,796,453	838,216	31,384,639	42,024,308

PUBLIC ENTERPRISE FOR STATE ROADS NOTES TO THE FINANCIAL STATEMENTS

1. Basic information and activity

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

Specifically, the Enterprise is engaged in the following activities:

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

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

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

Total number of employees of the Enterprise as at 31 December 2015 is 380 employees (2014: 369 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 2015 and 2014. 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 2015 and 2014 for EUR and USD are as it follows:

In MKD	1 EUR	1 USD
31 December 2015	61.5947 MKD	56.3744 MKD
31 December 2014	61.4814 MKD	50.5604 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 2015 compare to 2014 are as follows:

Asset	2015	2014
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 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 changes in 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 (2014: 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 2015 is not yet executed and therefore additional taxes or contributions cannot be assessed reliably.

PUBLIC ENTERPRISE FOR STATE ROADS
NOTES TO THE FINANCIAL STATEMENTS

5. Fair value estimation

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

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

6. Financial instruments

6.1. Capital risk management

The Enterprise uses long-term loans to finance its operations, in order to provide adequate return of investments. The Enterprise reviews its leverage on a regular basis which as at 31 December 2015 and 2014 is as it follows:

In (000) MKD	2015	2014
Debt	21,809,025	15,995,835
Cash and cash equivalents	(1,616,708)	(140,181)
Net debt (cash)	20,192,317	15,855,654
Total equity	42,024,308	40,987,761
% of debt	48%	39%

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 2015 and 2014 is as follows:

In (000) MKD	Assets		Liabilities	
	2015	2014	2015	2014
EUR	1,468,239	254,226	11,029,795	9,877,640
USD	131	-	10,930,653	6,197,340
other	14	-	-	-
	1,468,384	254,226	21,960,448	16,074,980

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.

PUBLIC ENTERPRISE FOR STATE ROADS
NOTES TO THE FINANCIAL STATEMENTS

6. Financial instruments (Continued)

6.2. Foreign currency risk (Continued)

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

In (000) MKD	+ 10%		- 10%	
	2015	2014	2015	2014
EUR	(956,156)	(962,341)	956,156	962,341
USD	(1,093,052)	(619,734)	1,093,052	619,734
other	1	-	(1)	-
Net effect	(2,049,206)	(1,582,075)	2,049,206	1,582,075

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	
	2015	2014
Financial assets		
<i>Non-interest bearing:</i>		
- Cash and cash equivalents	2,447	1,729
- Other assets	1,083	304
	3,530	2,033
<i>Variable interest bearing :</i>		
- Given loans	117,504	131,881
- Cash and cash equivalents	1,614,261	138,452
	1,731,765	270,333
	1,735,295	272,366
Financial liabilities		
<i>Non-interest bearing:</i>		
- Trade payables	1,555,956	1,579,317
- Other current liabilities	253,343	182,494
	1,809,299	1,761,811
<i>Variable interest bearing:</i>		
- Borrowings	10,878,372	9,798,495
	10,878,372	9,798,495
<i>Fixed interest bearing:</i>		
- Borrowings	10,930,653	6,197,340
	10,930,653	6,197,340
	23,618,324	17,757,646

**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	
	2015	2014	2015	2014
Borrowings	(108,784)	(97,985)	108,784	97,985
Bank deposits	1,175	1,319	(1,175)	(1,319)
Net effect	(107,609)	(96,666)	107,609	96,666

6.4. Liquidity risk

The following table details the Enterprise's remaining contractual maturity for its financial assets and liabilities as at 31 December 2015:

In (000) MKD	Less than 1 month	1 to 3 month	3 to 12 month	Over 12 months	Total
Cash	1,616,708	-	-	-	1,616,708
Given loans	-	-	12,510	104,994	117,504
Other receivables	1,083	-	-	-	1,083
	1,617,791	-	12,510	104,994	1,735,295
Trade payables	1,555,956	-	-	-	1,555,956
Borrowings	-	260,927	1,153,170	20,394,428	21,809,025
Other payables	230,024	23,319	-	-	253,343
	1,785,980	284,246	1,153,170	20,394,428	23,618,324

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

6. Financial instruments (Continued)

6.4. Liquidity risk

The following table details the Enterprise's remaining contractual maturity for its financial assets and liabilities as at 31 December 2014:

In (000) MKD	Less than 1 month	1 to 3 month	3 to 12 month	Over 12 months	Total
Cash	140,181	-	-	-	140,181
Given loans	-	-	13,106	118,774	131,880
Other receivables	371	-	-	-	371
	140,552	-	13,106	118,774	272,432
Trade payables	1,579,317	-	-	-	1,579,317
Borrowings	-	-	1,316,612	14,679,223	15,995,835
Other payables	182,494	-	-	-	182,494
	1,761,811	-	1,316,612	14,679,223	17,757,646

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.

PUBLIC COMPANY FOR STATE ROADS
NOTES TO THE FINANCIAL STATEMENTS

8. REVENUES FROM ALLOWANCES

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

	2015 (000) MKD	2014 (000) MKD
Revenue from petrol price (State Budget transfers)	2,278,569	1,972,741
Revenue from highway utilization pay-toll	2,110,815	1,712,968
Revenue from motor vehicles registration	1,362,284	1,116,605
Total revenues from allowances	5,751,668	4,802,314

9. OTHER OPERATING INCOME

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

	2015 (000) MKD	2014 (000) MKD
Income from compensations by other entities	22,370	28,713
Income from free of charge assets (Note 19)	22,582	22,582
Income from releasing of provisions	6,358	10,695
Other income	2,253	1,978
Total other operating income	53,563	63,968

10. COST FOR BASIC ACTIVITIES

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

	2015 (000) MKD	2014 (000) MKD
Expenses for road reconstruction and maintenance	620,386	619,966
Transfer of allowances to local communities	300,000	300,000
Total cost for basic activities	920,386	919,966

PUBLIC COMPANY FOR STATE ROADS
NOTES TO THE FINANCIAL STATEMENTS

11. EMPLOYEES EXPENSES

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

	2015 (000) MKD	2014 (000) MKD
Employees wages	188,975	165,083
Business travel allowances	1,421	534
Total	190,396	165,617

12. OTHER OPERATING EXPENSES

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

	2015 (000) MKD	2014 (000) MKD
Expenses for monitoring and security of pay tolls	84,100	57,833
Bank fees	28,187	149,869
Public utility services expenses	47,612	45,692
Expenses for motor vehicles association fees	64,686	43,276
Other services	10,060	34,098
Maintenance and repairing expenses	29,004	36,681
Material costs	22,383	9,852
Insurance costs	1,731	1,842
Representation	723	619
Expenses for court litigations	-	-
Other operating expenses	19,976	21,251
Total other operating expenses	308,462	401,013

13. FINANCING INCOME

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

	2015 (000) MKD	2014 (000) MKD
Interest income	8,013	428
Gains on exchange	23,236	46,286
Total financing income	31,249	46,714

14. FINANCING EXPENSES

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

	2015	2014
	(000) MKD	(000) MKD
Interest expenses from borrowings	137,016	230,373
Penal interest	1,186	1,597
Loss on exchanges	1,658,000	705,736
Total financing expenses	1,796,202	937,706

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

	2015	2014
	(000) MKD	(000) MKD
IBRD - The World Bank	9,804	16,069
EBRD - local and regional roads	13,794	18,040
EIB I	23,784	35,519
EIB II	82,627	93,731
Export-Import Bank of China	-	54,439
EBRD - ring road	7,007	12,574
Rehabilitation of National and Regional Road - IBRD	-	1
Total interest expenses	137,016	230,373

15. CASH AND CASH EQUIVALENTS

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

	2015	2014
	(000) MKD	(000) MKD
Denar accounts at domestic banks	263,407	12,739
Cash in hand	2,421	1,717
Foreign currency accounts at domestic banks	175,708	5,793
Letters of credit	-	3,380
Cash in hand - foreign currency	26	12
Foreign exchange accounts in Sparkasse bank	1,175,146	116,540
Total cash and cash equivalents	1,616,708	140,181

Foreign exchange accounts in Sparkasse Bank Macedonia AD Skopje as at 31 December 2015 are comprised of withdrawn but still not used cash from foreign creditors and are as follows:

Account (SA) for IBRD Loans	268,935	84,637
Account (SA) for EBRD Loans	906,211	31,903
Total	1,175,146	116,540

PUBLIC COMPANY FOR STATE ROADS
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16. INVENTORIES

Inventories as at 31. December consist of the following:

	2015	2014
	(000) MKD	(000) MKD
Materials	1,563	2,818
Total inventories	1,563	2,818

17. GRANTED LOANS

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

	2015	2014
	(000) MKD	(000) MKD
<i>Loans to:</i>		
JP Macedonian Railways	43,466	48,793
Customs office of the RM	74,038	83,088
	117,504	131,881
Current portion of long term loans	(12,510)	(13,107)
Total loans given	104,994	118,774

Loans given in amount of 117,504 thousands of MKD (2014: 131,881 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

	2015	2014
	(000) MKD	(000) MKD
Advances given to:		
Sinohidro Podruznica Skopje	5,832,616	5,832,616
GD Granit AD Skopje	152,920	98,442
Aselsan	115,212	-
Kompanija Eskavatori DOO	48,428	-
Gradezen Institut Makedonija	36,250	56,964
Alpine Podruznica Skopje	30,181	30,181
Geing	27,738	48,091
Strabag Podruznica	26,959	41,599
Ilinden Struga	25,614	-
Elektrosoft Skopje	9,047	9,047
Pelagonija AD Gostivar	8,135	-
DG Beton AD Skopje	7,080	8,615
Bojta Skopje	1,684	-
Sintek	-	846
Total advances for property and equipment	6,321,864	6,126,401

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

19. PROPERTY AND EQUIPMENT

Changes of property and equipment during 2015 are as follows:

	Buildings (000) MKD	Roads (000) MKD	Equipment (000) MKD	Construction in progress (000) MKD	Total (000) MKD
Cost or revaluation					
Balance as at 1 January	19,379	92,768,902	184,579	11,318,526	104,291,386
Additions	-	218,855	5,569	6,587,962	6,812,386
Transfer from P/E in progress	-	288,105	-	(288,105)	-
Disposal of fixed assets	-	-	-	-	-
Write off and other deductions	(725)	(140)	(3,616)	(1,614)	(6,095)
Balance as at 31 December	18,654	93,275,722	186,532	17,616,769	111,097,677
Accumulated depreciation					
Balance as at 1 January	8,924	51,093,058	160,904	-	51,262,886
Depreciation	185	1,551,810	7,580	-	1,559,575
Disposal of fixed assets	-	-	-	-	-
Write off and other deductions	(725)	-	(3,337)	-	(4,062)
Balance as at 31 December	8,384	52,644,868	165,147	-	52,818,399
Carrying amount as at:					
31.December 2015	10,270	40,630,854	21,385	17,616,769	58,279,278
31.December 2014	10,455	41,675,844	23,675	11,318,526	53,028,500

Construction in progress as at 31 December 2015 in total amount of 17,616,769 thousands of MKD (year 2014: 11,318,526 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).

PUBLIC COMPANY FOR STATE ROADS
NOTES TO THE FINANCIAL STATEMENTS

20. INTANGIBLE ASSETS

Changes during 2015:

	Licenses	Software	Total
	(000) MKD	(000) MKD	(000) MKD
Cost			
Balance as at 1 January	1,634	5,603	7,237
Additions	-	2,792	2,792
Balance as at 31 December	1,634	8,395	10,029
Accumulated amortization			
Balance as at 1 January	1,120	943	2,063
Amortization	513	1,754	2,267
Balance as at 31 December	1,633	2,697	4,330
Carrying amount as at:			
31. December 2015	1	5,698	5,699
31. December 2014	514	4,660	5,174

21. TRADE PAYABLES

Trade payables as at 31 December consist of the following:

	2015	2014
	(000) MKD	(000) MKD
Domestic payables for property, equipment and expenses	1,066,449	1,320,369
Domestic payables for retained deposits	489,507	258,948
Total liabilities to suppliers	1,555,956	1,579,317

Domestic payables in amount of 1,066,449 thousands of MKD mostly include obligations related to unpaid interim statements towards contractor Sinohidro Podružnica Skopje in amount of 904,112 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 489,507 thousands of MKD (2014: 258,948 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:

	2015	2014
	(000) MKD	(000) MKD
Liabilities for income tax	23,319	94,095
Interest liabilities	151,423	79,145
Liabilities for vehicles registration	4,174	5,333
Liabilities for concessions	6,313	-
Liabilities for expropriation of land	64,295	-
Liabilities for net wages	-	-
Other liabilities	3,819	3,921
Total other current liabilities	253,343	182,494

Income tax liabilities in amount of 23,319 thousands of MKD (2014: 94,095 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 legal tax changes in 2014 (2014: 10% income tax calculated on financial result presented in the income statement, adjusted for non-deductible expenses).

23. GOVERNMENT GRANTS (DEFERRED INCOME)

Government grants as at 31 December consist of following:

	2015	2014
	(000) MKD	(000) MKD
Balance as at 1 January	582,061	580,538
Received grants during the period	24,855	24,105
Released to the income statement	(22,582)	(22,582)
Balance as at 31 December	584,334	582,061

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 559,563 thousands of MKD.

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

The annual amount of deferred income is in amount of 22,852 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 69,936 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 31.12.2015 in currency	Exchange rate 31.12.2015 MKD	Interest rate %	terms and period of repayment	Principal outstanding 31.12.2015 MKD (000)	Principal outstanding 31.12.2014 MKD (000)
EIB I	EUR	11,714,286	61.5947	2.5 % p/y	30 semiannually installments 15/10/2003 - 15/04/2018	721,538	1,008,295
EIB II	EUR	29,788,516	61.5947	3.62 % p/y	36 semiannually installments 15/11/2006 - 15/05/2024	1,834,815	2,046,427
EBRD	EUR	9,090,909	61.5947	Libor +1	21 semiannually installments 20/09/2007 - 20/03/2018	559,952	782,490
IBRD 4859 MK	EUR	10,374,086	61.5947	Libor	24 semiannually installments 15/12/2012 - 15/06/2024	638,989	712,850
IBRD 7532 MK	EUR	60,520,911	61.5947	Libor	30 semiannually installments 15/09/2013 - 15/03/2028	3,727,767	3,319,553
EBRD	EUR	34,479,455	61.5947	Libor +1	22 semiannually installments 05/12/2012 - 05/06/2023	2,123,752	1,920,887
The Export-Import Bank of China (Miladinovci - Stip)	USD	74,883,701	56.3744	2 % p/y	60 months grace period and 180 months repayment period	4,221,524	2,367,049
The Export-Import Bank of China (Kicevo - Ohrid)	USD	119,010,208	56.3744	2 % p/y	60 months grace period and 180 months repayment period	6,709,130	3,830,291
IBRD 8420 MK	EUR	7,040,336	61.5947	Libor	32 semiannually installments 15/10/2020 - 15/10/2036	433,647	7,993
EBRD 41981 - Project corridor X	EUR	2,863,636	61.5947	Libor +1	22 semiannually installments 20.10.2015-20.04.2026	176,385	-
EBRD 47955 - National roads Program	EUR	10,740,000	61.5947	Libor +1	48 months grace period and 132 months repayment period 20.02.2019 - 20.08.2029	661,527	-
Total foreign currency borrowings						21,809,025	15,995,835
Minus: Current portion of long-term foreign currency borrowings						(1,414,097)	(1,316,612)
Total net foreign currency borrowings						20,394,928	14,679,223
Total long - term interest bearing borrowings						20,394,928	14,679,223

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

24. LONG-TERM INTEREST BEARING BORROWINGS (Continued)

b) Changes during the year	2015	2014
	MKD (000)	MKD (000)
Balance as at 1 January	15,995,835	9,883,063
New borrowings	6,341,828	6,677,003
Repayment of principal of foreign borrowings	(1,319,749)	(1,219,996)
Losses (Gains) on exchange, net	791,111	655,764
Unused funds - repayment	-	-
Balance as at 31 December	21,809,025	15,995,834

c) Maturity of borrowings	2015	2014
	MKD (000)	MKD (000)
In period of 1 year	1,414,097	1,316,612
In period of 1 to 3 years	2,571,895	2,633,225
Over 3 years	17,823,033	12,045,998
Total	21,809,025	15,995,835

25. EQUITY

As at 31 December 2015, 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)

	<u>2015</u>	<u>2014</u>
Net Cash Flows Arising From Operating Activities	4,339,641	3,306,936
Plus all interest charged on accrual basis	137,016	230,373
Minus Cash Flows Arising From Operating Activities for such period which are applied during that period to acquiring long-term assets	(7,833,645)	(8,631,600)
Plus Cash Flows Arising From Operating Activities for such period which are applied during that period to acquiring long-term assets financed by the Guarantor	6,341,828	6,677,003
Total	2,984,840	1,582,712
Sum of the principal repayment during such period	1,319,749	1,219,996
Sum of all interest charged on an accruals basis on all Financial Debt during such period	137,016	230,373
Total	1,456,765	1,450,369
Debt service coverage ratio (DSCR)	2.0	1.1

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>2015</u>	<u>2014</u>
Revenues from all sources	5,751,668	4,802,314
Plus non-operating income	53,563	63,968
Minus all expenses related to operations, excluding depreciation, non cash operating charges and interest	(1,419,244)	(1,486,596)
Total	4,385,987	3,379,686
Sum of the principal repayment during such period	1,319,749	1,219,996
Sum of all interest charged on an accruals basis on all Financial Debt during such period	137,016	230,373
Total	1,456,765	1,450,369
Estimated net revenues / estimated debt service ratio	3.0	2.3

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>2015</u>	<u>2014</u>
Current assets	1,652,248	172,939
Estimated net revenues for next year	2,910,000	2,727,000
Total	4,562,248	2,899,939
Current liabilities	3,360,513	3,202,743
Current ratio	1.4	0.9

27. CONTINGENCIES AND PROVISIONS

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

a) Court procedures (contingencies)

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

Basis:	2015 (000) MKD
Debts	66,843
Expropriation of land	48,627
Claims for damages	90,606
Other	8,502
Total	214,578

Above mentioned amounts do not include interest.

b) Provisions

During 2015, the Enterprise has made provision for court litigations in balance sheet in amount of 27,694 thousands of MKD and released in amount of 8,539 thousands of MKD in balance sheet and amount of 6,358 thousands of MKD in income statement or balance of 137,113 thousands of MKD at 31 December. During 2014, the Enterprise has made provision for one court litigation in income statement in amount of 4,200 thousands of MKD and released in amount of 25,004 thousands of MKD or balance of 124,320 thousands of MKD at 31 December.

28. POST BALANCE SHEET EVENTS

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