

О К Т А Рерафинерија на нафта  
Акционерско друштво  
бр. 05-1410  
26.03. 2015 год.  
Скопје 1

**OKTA CRUDE OIL REFINERY A.D. - SKOPJE**

**Annual Report,**

**Financial Statements and**

**Annual accounts**

**For the year ended 31<sup>st</sup>December 2014**

**OKTA CRUDE OIL REFINERY A.D. - SKOPJE**

**Annual Report**

**For the year ended 31<sup>st</sup>December 2014**

**Annual Report of OKTA AD Skopje for the year ended 31 December 2014****Key achievements**

2014 was a turnaround year for OKTA ("the Company"). As a response to the changes in the global market of oil derivatives the Company transformed itself from a slow-moving industrial company to a flexible, customer-focused trading company. OKTA achieved strengthening of market share, reduced costs, completion of transformation projects, logistics upgrade, reduced working capital needs and improved liquidity. More analytically, the main focus in 2014 was on projects like:

- Loading and unloading installation upgrade
- Installations upgrade New software implementations
- ISO 9001/14001/OHSAS
- Health, Safety & Environment upgrade
- Security upgrade
- Improved company public image
- Nutrition and bus transportation contracts
- Oil derivatives transportation costs

**Company operations and market environment**

Having as one of the main aims to bring stability in its operations, OKTA continued to gain market share in its domestic market throughout the year. The Company's reported profitability at EBITDA level, which improved steadily for the first nine months of the year, was negatively affected in the last quarter by the continuing rapid drop in international oil prices, which burdened all oil companies globally due to the devaluation of their fuel stocks. Excluding the effect of the falling prices, OKTA's profitability in Q4 of 2014 would have been 164m MKD, or 60% higher than the same period of the previous year.

As far as the situation in Kosovo market is concerned, after gradual improvement of sales volumes in the first nine months of 2014, the Company faced increased competition due to aggressive pricing from Albania.

During 2014, the Company managed to further reduce its operating costs as a result of transformation projects. This helped increase its operating flexibility in order to respond to market by 191m MKD changes and confront the often unfair competition in the wholesale market. Import and trade licensing remain extremely liberal resulting in continuously increasing opportunistic import competition.

OKTA's radical operational and organizational transformation plan also helped reduce its working capital needs due to inventory management and reduced DSOs. As a result, this freed up liquidity to such an extent that cash exceeded borrowings by 560m MKD, after covering its capital expenditure program of 118m MKD and the smoothly executed voluntary retirement program of 289m MKD. This liquidity will further allow OKTA to finance a more aggressive investment plan for 2015.

## Company Outlook for 2015

OKTA's plan for 2015 is to improve further the business performance. The main focus is expected to be in:

- Safety, environment and quality;
- Maintain market share;
- Efficiency improvements;
- Upgrading the company storage and loading installations;
- maintaining the company's supply flexibility by taking advantage of group assets;
- Fine tuning of Company's commercial strategy following market developments.

## Other related information

During 2014 OKTA:

- Invested in total 118mln MKD - 64mln MKD was directed to installations infrastructure, 21mln MKD to IT and ERP related projects, 24mln MKD to security, safety and buildings related projects, and finally 9mln MKD to retail network upgrade;
- Did not buy any of its own shares;
- Had no assets the value of which was not included in the Balance Sheet;
- Had no significant activities in the field of research and development;
- Did not distribute any dividend;
- Entered into transactions with interested parties as analyzed in Note 27 of the annual Financial Statements on Related Party transactions;
- Used its operating cash flow as the source of its assets;
- Did not have any long term debt therefore applied no policy that links long term debt and basic capital;
- Followed its risk management policy as depicted in Note 3 of the yearly Financial Statements and faced no significant issues.
- Paid its three executive Board members the amount of gross salaries of 13.587.964 MKD and other benefits of 9.287.329MKD. It also paid its six non-executive Board members the amount of 1.254.459 MKD as compensation and the amount of 453.645 MKD as other allowances (hotel accommodation, airplane tickets etc). For confidentiality reasons the numbers of each member are not disclosed here but are available for every shareholder upon request.



Ioannis Geroulanos

Chief Executive Officer



**OKTA CRUDE OIL REFINERY A.D. - SKOPJE**

**Financial Statements**

**For the year ended 31<sup>st</sup>December 2014**

**With Report of the Auditors Thereon**

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## INDEPENDENT AUDITOR'S REPORT

*To the Board of Directors and the Shareholders of  
OKTA Crude Oil Refinery A.D. – Skopje*

### *Report on the Financial Statements*

We have audited the accompanying financial statements of OKTA Crude Oil Refinery A.D. – Skopje (the Company), which comprise the statement of financial position as of 31 December 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Accounting Standards applicable in the Republic of Macedonia and for such internal control as management determines is necessary to enable the preparation of 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 International Standards of 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 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.



### ***Basis for Qualified opinion***

Following the provisions of the Share Purchase and Concession Agreement dated 8 May 1999 concluded between EL.P.ET Balkanike S.A. (the parent company of OKTA Crude Oil Refinery A.D. - Skopje) and the Government of the Republic of Macedonia, the Company has recognized receivables in the period from 2000 to 2004 in amount of MKD 769,497,000, relating to the period prior to the acquisition. We did not receive sufficient appropriate audit evidence to assess whether the Company will be able to recover the balance of MKD 769,497,000. Our report on the Financial Statements as of 31 December 2013 and for the year then ended was modified accordingly.

### ***Opinion***

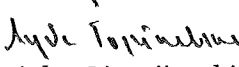
In our opinion, except for the possible effect of matter referred to in the preceding paragraph, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with Accounting Standards applicable in the Republic of Macedonia.

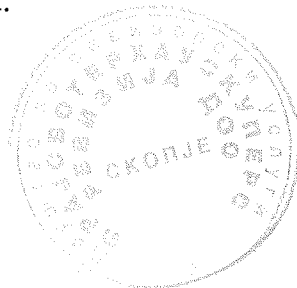
### ***Report on Other Legal and Regulatory Requirements***

*Annual Report prepared by the Management in accordance with the requirement of the Company Law, article 384.*

Management is responsible for the preparation of the Annual Accounts and Annual Report of the Company, which were approved by the Board of Directors of the Company on 26 February 2015.

As required by the Audit Law, we report that the historical information presented in the Annual Report prepared by the Management of the Company in accordance with article 384 of the Company Law is consistent in all material respects with the financial information presented in the Annual Accounts and audited Financial Statements of the Company, as of and for the year ended 31 December 2014.

  
Ljube Gjorgjievski  
General Manager



  
Dragan Davitkov  
Certified Auditor

PricewaterhouseCoopers REVIZIJA DOO - Skopje

03 March 2015  
Skopje



**OKTA CRUDE OIL REFINERY A.D. – SKOPJE**  
**Financial statements for the year ended 31<sup>st</sup> December 2014**

(all amounts are in thousands of MKD unless otherwise stated)

**Statement of comprehensive income**

	Note	Year ended 31 <sup>st</sup> December	
		2014	2013
Sales	5	21,837,160	25,997,931
Cost of goods sold	6	(21,015,632)	(25,211,545)
<b>Gross profit</b>		<b>821,528</b>	<b>786,386</b>
Operations and logistics expenses	7	(682,638)	(669,399)
Administrative expenses	8	(259,021)	(197,325)
Sales and distribution expenses	9	(246,044)	(103,512)
Other operating income	10	47,770	40,246
Other operating expenses	11	(30,616)	(45,305)
<b>Operating loss</b>		<b>(349,021)</b>	<b>(188,909)</b>
Finance income	12	244,311	639,164
Finance costs	12	(417,239)	(588,217)
Finance costs – net		(172,928)	50,947
<b>Loss before income tax</b>		<b>(521,949)</b>	<b>(137,962)</b>
Income tax expense	13	21,093	(12,116)
<b>Loss for the year</b>		<b>(500,856)</b>	<b>(150,078)</b>
<b>Other comprehensive income/(loss)</b>			
Change in employee benefits obligations		184	(898)
Change in value of available-for-sale financial assets		3,310	3,662
<b>Total other comprehensive profit</b>		<b>3,494</b>	<b>2,764</b>
<b>Total comprehensive loss for the year</b>		<b>(497,361)</b>	<b>(147,314)</b>
<b>Loss attributable to:</b>			
- Owner of the parent		(408,247)	(122,329)
- Minority interest		(92,609)	(27,749)
<b>Total comprehensive loss attributable to:</b>			
- Owner of the parent		(405,399)	(120,076)
- Minority interest		(91,962)	(27,238)
<b>Earnings per share information:</b>			
<b>Basic and diluted loss per share</b>	14	<b>(0.59)</b>	<b>(0.18)</b>

**OKTA CRUDE OIL REFINERY A.D. – SKOPJE**  
**Financial statements for the year ended 31<sup>st</sup> December 2014**

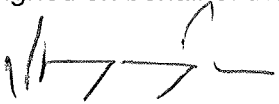
(all amounts are in thousands of MKD unless otherwise stated)

**Statement of financial position**

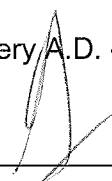
	Note	As at 31 <sup>st</sup> December	
		2014	2013
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets		20,087	2,054
Property, plant and equipment	15	2,423,424	2,564,504
Available-for-sale financial assets	16	11,830	8,520
Deferred income tax assets	17	21,093	-
<b>Total non-current assets</b>		<b>2,476,434</b>	<b>2,575,078</b>
<b>Current assets</b>			
Inventories	18	352,368	1,014,040
Trade receivables	19	1,605,712	2,232,816
Other receivables	19	808,599	812,638
Cash and cash equivalents	20	1,539,647	343,092
<b>Total current assets</b>		<b>4,306,378</b>	<b>4,402,586</b>
<b>TOTAL ASSETS</b>		<b>6,782,762</b>	<b>6,977,664</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		2,472,820	2,472,820
Statutory reserves		494,718	494,718
Revaluation and other reserves		403,000	399,506
Retained earnings		736,959	1,237,815
<b>Total equity</b>	21	<b>4,107,497</b>	<b>4,604,859</b>
<b>Non-current liabilities</b>			
Provision for employee benefit obligations	22	13,795	21,751
<b>Total non-current liabilities</b>		<b>13,795</b>	<b>21,751</b>
<b>Current liabilities</b>			
Trade payables	23	1,535,496	1,544,204
Other current liabilities	23	150,537	179,010
Loans and borrowings	24	975,437	624,653
Current income tax payable		-	3,187
<b>Total current liabilities</b>		<b>2,661,470</b>	<b>2,351,054</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>6,782,762</b>	<b>6,977,664</b>

The financial statements of OKTA Crude oil refinery A.D. – Skopje were authorised for issue by the Management on 20<sup>th</sup> February 2015 and will be subject of approval by the Board of Directors on 26<sup>th</sup> February 2015. These financial statements are subject to approval from Company's Shareholders Assembly, as well.

Signed on behalf of the Management of OKTA Crude Oil Refinery A.D. - Skopje:



Ioannis Geroulanos  
Chief Executive Officer

Gorgios Anagnostopoulos  
Chief Financial Officer

**OKTA CRUDE OIL REFINERY A.D. – SKOPJE**  
**Financial statements for the year ended 31<sup>st</sup> December 2014**

(all amounts are in thousands of MKD unless otherwise stated)

**Statement of changes in equity**

	Capital	Statutory reserves	Revaluation and other reserves	Retained Earnings	Total
<b>Balance at 1<sup>st</sup> January 2013</b>	<b>2,472,820</b>	<b>494,718</b>	<b>396,812</b>	<b>1,387,893</b>	<b>4,752,243</b>
Comprehensive income	-	-	2,764	-	2,764
Net loss for 2013	-	-	-	(150,078)	(150,078)
Allocation of funds	-	-	(70)	-	(70)
<b>Balance at 31<sup>st</sup> December 2013</b>	<b>2,472,820</b>	<b>494,718</b>	<b>399,506</b>	<b>1,237,815</b>	<b>4,604,859</b>
Comprehensive income	-	-	3,494	-	3,494
Net loss for 2014	-	-	-	(500,856)	(500,856)
<b>Balance at 31<sup>st</sup> December 2014</b>	<b>2,472,820</b>	<b>494,718</b>	<b>403,000</b>	<b>736,959</b>	<b>4,107,497</b>

**OKTA CRUDE OIL REFINERY A.D. – SKOPJE**  
**Financial statements for the year ended 31 December 2014**

(all amounts are in thousands of MKD unless otherwise stated)

**Statement of cash flows**

	Year ended 31 <sup>st</sup> December	
	2014	2013
<b>Operating activities</b>		
Loss before tax	(521,949)	(137,962)
<i>Adjustments for:</i>		
Depreciation	234,270	261,391
Interest income	(37,494)	(46,890)
Interest expense and bank charges	48,657	39,262
<b>Cash generated from operations before changes in working capital</b>	<b>(276,516)</b>	<b>115,801</b>
<b>Cash flow from operating activities</b>		
Decrease in inventories	661,671	2,456,478
Decrease in receivables	631,142	1,670,943
Decrease in payables	(16,090)	(3,957,821)
<b>Cash generated from operations</b>	<b>1,000,209</b>	<b>285,401</b>
Interest and bank charges paid	(48,657)	(39,262)
Income taxes paid	(10,794)	(501)
<b>Net cash generated from operating activities</b>	<b>940,758</b>	<b>245,638</b>
<b>Cash flow from investing activities</b>		
Acquisition of property, plant and equipment	(152,252)	(8,397)
Sales of property, plant and equipment	19,771	-
Interest received	37,494	46,890
<b>Net cash used in investing activities</b>	<b>(94,987)</b>	<b>38,493</b>
<b>Cash flow from financing activities</b>		
Proceeds/ (repayment) from loans	350,785	(35,300)
Dividends paid	-	-
<b>Net cash used in financing activities</b>	<b>350,785</b>	<b>(35,300)</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>1,196,556</b>	<b>248,830</b>
Cash and cash equivalents at 1 <sup>st</sup> January	343,092	94,261
<b>Cash and cash equivalents at 31<sup>st</sup>December (note 20)</b>	<b>1,539,647</b>	<b>343,092</b>

## **OKTA CRUDE OIL REFINERY A.D. – SKOPJE**

### **Notes to the financial statements for the year ended 31<sup>st</sup> December 2014**

(all amounts are in thousands of MKD unless otherwise stated)

#### **1. General information**

OKTA Crude oil refinery A.D. - Skopje (hereinafter "the Company") is a joint stock company established on 26 March 1980. The Company is owned 81.51% by EL.P.ET Balkaniki S.A., a company jointly controlled - 63% by Hellenic Petroleum S.A. and 37% by Consortium of banks APE. The parent company is incorporated in Greece.

The Company's main activities are production, blending, trade and import of oil derivatives. Major products are Gasolines, Diesels, Fuel oil, LPG and Kerosene-Jet Oil . OKTA has a leading position in the supply and trading of oil derivatives. The company uses the installation infrastructure in Skopje for, import, storage and sale of oil derivatives.

During 2014, as a response to the changes in the global market of oil derivatives, OKTA has changed its business model. It is transformed from an industrial production company to a trading one. This allowed the Company to increase its flexibility and therefore focus more on covering customer needs. Such change of the business model had impacted the overall presentation in these Financial Statements and should be considered when comparing 2014 with 2013 presentation.

Starting from July 2013 OKTA is listed company on Macedonian Stock Exchange.

As of 31<sup>st</sup>December 2014, the Company had 458 employees (2013: 645 employees).

The address of the Company is as follows:

Street 1 no.25  
Miladinovci Ilinden  
1000 Skopje  
Macedonia

The names of the Directors of the Company serving during the financial year are as follows:

Chief Executive Officer: Victor Papaconstantinou until 28th January 2015. Starting from 28 January 2015 Victor Papaconstantinou was replaced with Ioannis Geroulanos which will act as Chief Executive Officer.

Chief Finance Officer: Giorgos Anagnostopoulos

The financial statements of OKTA Crude oil refinery A.D. – Skopje were authorised for issuing by the Management on 20<sup>th</sup> February 2015 and will be subject of approval by the Board of Directors on 26<sup>th</sup> February 2015. These financial statements are subject to approval from the Company's Shareholders Assembly.

#### **2. Summary of significant accounting policies**

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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

These financial statements are prepared, in all material respects, in accordance with the Company Law (published in Official Gazette No. 28/2004, 84/2005, 25/2007, 87/2008, 42/2010, 48/2010, 24/2011,166/2012 and 187/2013) and the Rule Book for Accounting (published in Official Gazette No.159/2009, No.164/2010, No. 107/2011, No. 38/2014, No. 41/2014 and No. 138/2014), whereby the International Financial Reporting Standards (IFRS) were published.

(all amounts are in thousands of MKD unless otherwise stated)

## **2. Summary of significant accounting policies (continued)**

### **2.1. Basis of preparation (continued)**

This Rule Book of Accounting comprise International Financial Reporting Standards (IFRS) - IFRS 1 to IFRS 8, International Accounting Standards (IAS) - IAS 1 to IAS 41, International Financial Reporting Interpretations Committee (IFRIC) - IFRIC 1 to IFRIC 17 and Standing Interpretations Committee (SIC) Interpretations comprising SIC 7 to SIC 32. IFRS 9, IFRS 10, IFRS 11, IFRS 12, IFRS 13, IFRIC 18, IFRIC 19, IFRIC 20 and IFRIC 21 are not included in the Rule Book for Accounting and are not applied by the Company.

IFRS standards (including IFRS 1) were initially published in the Official Gazette in 1997, and since then several updates have followed. The last update was in December 2010.

The Company applies all relevant standards and the amendments and interpretations which were published in the Official Gazette.

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain fixed assets and depreciation and available for sale financial assets.

The financial statements are presented in thousands Macedonian Denars – MKD, unless otherwise stated.

#### **Consistency**

The presentation and classification of items in the financial statements is retained from one period to the next unless it is apparent that due to the change in the nature of the entity's operations or a review of its financial statements that another presentation or classification would be more appropriate. However, such reclassifications have not resulted in significant changes of the content and format of the financial information as presented in the financial statements.

### **2.2. Foreign currency translation**

#### **(a) Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency') which is Macedonian denars (MKD).

#### **(b) Transactions and balances**

Foreign currency transactions are translated into Macedonian denars using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation monetary assets and liabilities denominated in foreign currencies at year-end are recognised in the Profit or loss. Monetary assets and liabilities denominated in foreign currencies are translated according the middle exchange rates from the National Bank of the Republic of Macedonia valid at the date of the financial statements.

Foreign exchange gains and losses are presented in the Profit or loss within "finance income/ costs (net)".

**OKTA CRUDE OIL REFINERY A.D. – SKOPJE**  
**Notes to the financial statements for the year ended 31<sup>st</sup> December 2014**

(all amounts are in thousands of MKD unless otherwise stated)

**2. Summary of significant accounting policies (continued)**

**2.2. Foreign currency translation (continued)**

The foreign currency deals of the Company are predominantly EURO (EUR) and United States Dollars (USD) based. The exchange rates used for translation at 31st December 2014 and 31st December 2013 were as follows:

Exchange rate:	31st December 2014 MKD	31st December 2013 MKD
EUR	61.48	61.51
USD	50.56	44.62

**2.3. Property, plant and equipment**

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Up to 2003 they have been revaluated at the year-end by applying official revaluation coefficients based on the general manufactured goods price index. Such coefficients have been applied to historical cost or later valuation and to accumulated depreciation. The effect of the revaluation of property, plant and equipment has been credited to the revaluation reserve.

Additions are recorded at cost. Cost includes the invoiced value and the expenditure that is directly attributable to the acquisition of the items.

Disposal of property, plant and equipment represents expense or technology obsolescence or other type of elimination of property, plant and equipment, including the accumulated provision. Gains and losses on disposal of property, plant and equipment are recognised in the income statement.

**Subsequent expenditure**

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Profit or loss, during the financial period in which they are incurred.

**Depreciation**

Depreciation of property, plant and equipment is charged using rates not lower than those prescribed by the law and is designed to allocate the cost or valuation of property, plant and equipment on the straight-line basis over their estimated useful lives.

The depreciation of property, plant and equipment shall start after expiration of the month of the start-up in the year in which the utilization of the property, plant and equipment has started.

**OKTA CRUDE OIL REFINERY A.D. – SKOPJE**  
**Notes to the financial statements for the year ended 31<sup>st</sup> December 2014**

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(all amounts are in thousands of MKD unless otherwise stated)

**2. Summary of significant accounting policies (continued)**

**2.3. Property, plant and equipment (continued)**

The following represent the range of the estimated useful lives applied to items of property, plant and equipment:

	2014	2013
Buildings	40 years	40 years
Computers	4 years	4 years
Equipment	20 years	20 years
Other equipment and vehicles	5 - 10 years	5 - 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other operating income/expense" in the Profit or Loss.

Land is not depreciated.

**2.4. Intangible assets**

An intangible asset is measured initially at cost. Acquisition costs include acquisition price (including import duties and non-recoverable taxes, after deducting trade discounts and rebates) and all directly attributable costs which are incurred to prepare the asset for its intended use. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and less any impairment loss. All intangible assets with a finite useful life are amortised over their useful lives using the straight-line method.

Amortisation begins when the asset is available for use and ends when the asset is classified as held for sale or is derecognised. Amortisation is recognised in the income statement as incurred. Estimated useful life over which company's intangible assets are being amortised is 4 years.



**2. Summary of significant accounting policies (continued)****2.5. Available-for-sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. Available-for-sale financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Changes in the fair value of available for sale investments are recognised in other comprehensive income. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the Statement of comprehensive income as 'gains and losses from investment securities'.

Dividends on available-for-sale financial assets are recognised in the Profit or loss as part of other income when the Company's right to receive payments is established.

The company assesses at the end of each reporting period whether there is objective evidence for impairment of an available for sale financial asset. Significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in Profit or loss – is removed from equity and recognised in the Profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in Profit or loss, the impairment loss is reversed through the Profit or loss.

**2.6 Inventories**

Inventories are stated at lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred bringing the inventories to their present location and condition. Cost of crude oil and cost of other raw materials, spare parts and tools and consumable stores, finished and trading goods is determined on a weighted average cost basis.

The cost of purchase of inventories comprises of the purchase price, import duties, other non-recoverable taxes and other costs, which can be directly attributed to the procurement of the inventories (e.g. transportation costs). Trade discounts, rebates and other similar items are deducted in determining the purchase cost of inventories.

The costs of conversion of inventories comprise those costs that are directly related to the units of production, such as direct labour and a systematic allocation of fixed and variable production overheads. The allocation of fixed production overheads to the cost of conversion is based on the normal capacity of the production facilities. Any unallocated fixed production overheads are recognised as an expense in the period in which they are incurred. Variable production overheads are allocated to each unit of production on the basis of the actual use of the production facilities.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

**2. Summary of significant accounting policies (continued)**

**2.7. Trade and other receivables**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in Profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

**2.8. Cash and cash equivalents**

Cash and cash equivalents comprise bank balances in local and foreign currency, cash in hand and deposits in banks with original maturity with less than 3 months.

**2.9. Share capital**

Ordinary and preference shares are classified as equity.

**2.10. Trade and other payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**2.11. Provisions and contingent liabilities**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are measured and recorded as the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The provision charge is recognized in the Income statement within the expense corresponding to the nature of the provision.

(all amounts are in thousands of MKD unless otherwise stated)

**2. Summary of significant accounting policies (continued)**

**2.11. Provisions and contingent liabilities (continued)**

No provision is recognized for contingent liabilities. A 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 entity; or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

**2.12. Income taxes**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

***Current income tax***

As of 1 January 2009 to 31 December 2013, the Company has not paid income tax on its profit before tax until the profit was distributed in a form of dividend or other form of profit distribution regardless of whether in monetary or non-monetary form. 10% income tax was payable on the distributed part the profit at the moment of the dividend payment. Dividends distributed by Macedonian companies to resident legal entities were exempt from corporate income tax at the level of the distributing entity. Dividends distributed to individuals and foreign legal entities were not exempt from corporate income tax and were subject to 10% income tax at the level of the distributing entity and the corporate income tax liability arose at the time of the dividend payment.

Corporate income tax was also levied on non-deductible expenses incurred in the fiscal year, decreased by the amount of tax credits and other tax reliefs. Corporate income tax on non-deductible expenses was payable regardless the companies have generated profit or loss.

In 2014 a new tax regime had become effective according to which the base for income tax computation had been shifted from income "distribution" concept to the profit before taxes. The new CIT Law has been adopted and entered into force on 2 August 2014. It is applicable as of 1 January 2015 for the 2014 profit.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(all amounts are in thousands of MKD unless otherwise stated)

## **2. Summary of significant accounting policies (continued)**

### **2.12. Income taxes (continued)**

#### ***Deferred income tax***

In accordance with the tax legislation effective from 1 January 2009 to 31 December 2013, the tax rate for undistributed profits was effectively reduced to zero, as tax is only payable when profits are distributed only to foreign legal entities.

According IAS 12.52A and SIC 25, deferred tax assets and liabilities should be measured using the undistributed rate. This resulted in reversal of the deferred tax asset and all deferred tax liability balances as of 31 December 2009, and reversal of all deferred tax assets as of 31 December 2010, if any.

Starting from 1 January 2014 (as per the new CIT Law enacted on 2 August 2014), deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### **2.13. Employees Benefits**

#### **a) *Pension***

The Company, in the normal course of business, makes payments on behalf of its employees for pensions, health care, employment and personnel tax which are calculated on the basis on gross salaries and wages according to the legislation. The Company makes these contributions to the Governmental health and retirement funds as well to private retirement funds. The cost of these payments is charged to the income statement in the same period as the related salary cost.

The Company does not operate any other pension scheme or post-retirement benefits plan and consequently, has no obligation in respect of pensions.

(all amounts are in thousands of MKD unless otherwise stated)

**2. Summary of significant accounting policies (continued)****2.13. Employees Benefits (continued)****a) Termination benefits**

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

**b) Retirement benefits and jubilee awards**

Pursuant to the Labour law prevailing in the Republic of Macedonia, the Company is obliged to pay retirement benefits in an amount equal to two average monthly salaries, at their retirement date, for which appropriate liability is recognized in the balance sheet measured at the present value of two average monthly salaries with adjustments incorporated in the actuarial calculation. According to the Collective agreement, the Company is obliged to pay jubilee anniversary awards that correspond to the total number of years of service of the employee. These employee benefit obligations are calculated annually by independent actuaries using the projected unit credit method. The actuarial valuation involves making assumption about discount rates, expected rates of return on assets, future salary increased, mortality increases and future pension increased. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. In addition, the Company is not obligated to provide further benefits to current and former employees.

**2.14. Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

**2.15. Leases**

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

(all amounts are in thousands of MKD unless otherwise stated)

## **2. Summary of significant accounting policies (continued)**

### **2.16. Revenue**

Revenue comprises the fair value of the consideration received or receivable for the sale of products, retail goods and services net of value-added tax, excise, rebates and discounts. Sales of products and retail goods are recognised when the Company has delivered it to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the products or retail goods have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the Company has objective evidence that all criteria for acceptance have been satisfied.

Interest income is recognized in the Profit or loss on a time proportion basis using the effective interest method. Dividend income is recognised when the right to receive payment is established.

### **2.17. Dividend distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

### **2.18. Earnings per share**

Basic earnings per share is calculated by dividing profit attributable to the equity holders of the Company for the period by the weighted average number of common stocks outstanding.

### **2.19. Operating segments**

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the Management and for which discrete financial information is available. The Management is the person or group of persons who allocates resources and assesses the performance for the entity.

The functions of the Management are performed by Board of the directors the Company. The internal reporting within the Company presented to the Management is on a Company level and as one operating segment. The decisions brought by the Management are based on received reports presented as one operating segment.

## **3. Financial risk management**

### **3.1 Financial risk factors**

The Company does not apply hedge accounting for its financial instruments, all gains and losses are recognized in the income statement. The Company is exposed in particular to risks from movements in exchange rates and market prices that affect its assets and liabilities. Financial risk management aims to limit these market risks through ongoing operational and finance activities.

(all amounts are in thousands of MKD unless otherwise stated)

### **3. Financial risk management (continued)**

#### **3.1 Financial risk factors (continued)**

##### **(i) Market risk**

Market risk is defined as the 'risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices' and includes interest rate risk, currency risk and other price risk. The majority of the revenues of the Company are generated in MKD and the remaining part mainly in USD.

Expenses of the Company that arise are mainly connected to USD, partially in EUR and the remaining part in MKD. As a result, the Company objective is to minimize the level of its financial risk in MKD terms. For the presentation of market risks according IFRS 7 sensitivity analyses that show the effects of hypothetical changes of relevant risk variables on profit or loss and shareholders' equity are required. The periodic effects are determined by relating the hypothetical changes in the risk variables to the balance of financial instruments at the balance sheet date. The balance at the balance sheet date is representative for the year as a whole.

The on-going global commodities in the constantly changing market resulted in, among other things, volatility of crude oil prices. The full extent of the impact of these market developments is proving to be impossible to anticipate or completely guard against.

Management believes that is taking all the necessary measures to support the sustainability and growth of the Company's business in the current circumstances. Nevertheless, future market fluctuations cannot be predicted with accuracy.

##### **Foreign exchange risk**

The Company's functional currency is the MKD. The foreign exchange risk exposure of the Company is related to holding foreign currency cash balances, and operating activities through revenues from and payments to international companies as well as capital expenditure contracted with vendors in foreign currency.

The currency giving rise to this risk is primarily USD. The Company manages the foreign exchange risk exposure by striving to lower the number of contracts in USD and to introduce contracts in EUR. The Company has small cash reserves in USD currency. The Company uses cash deposits in MKD or cash deposits in MKD indexed to EUR, to economically manage its foreign currency risk as well as local currency risk in accordance with the available banks offers.

However, the purchase of raw materials from related parties are denominated in USD and connected to the price movement on the global movement, which is denominated in USD. Therefore there is associated inherent business risk with such transactions.

**OKTA CRUDE OIL REFINERY A.D. – SKOPJE****Notes to the financial statements for the year ended 31<sup>st</sup> December 2014**

(all amounts are in thousands of MKD unless otherwise stated)

**3. Financial risk management (continued)****3.1 Financial risk factors (continued)****Foreign exchange risk (continued)**

The Company's exposure to foreign currency risk was as follows:

<b>2014</b>	<b>MKD</b>	<b>EUR</b>	<b>USD</b>
<b>Assets</b>			
Cash and cash equivalents	1,505,211	143	34,293
Trade receivables and other current financial assets	2,110,143	2,013	302,155
<b>Total assets</b>	<b>3,615,354</b>	<b>2,156</b>	<b>336,448</b>
<b>Liabilities</b>			
Trade payables	124,866	42,253	1,368,377
Other current liabilities	150,537	-	-
Loans and borrowings	975,437	-	-
<b>Total liabilities</b>	<b>1,250,840</b>	<b>42,253</b>	<b>1,368,377</b>
<b>Net balance sheet exposure</b>	<b>2,364,514</b>	<b>(40,097)</b>	<b>(1,031,929)</b>

<b>2013</b>	<b>MKD</b>	<b>EUR</b>	<b>USD</b>
<b>Assets</b>			
Cash and cash equivalents	305,685	52	37,355
Trade receivables and other current financial assets	2,680,289	241	364,924
<b>Total assets</b>	<b>2,985,974</b>	<b>293</b>	<b>402,279</b>
<b>Liabilities</b>			
Trade payables	84,037	4,491	1,455,676
Other current liabilities	179,010	-	-
Loans and borrowings	485,000	-	139,653
<b>Total liabilities</b>	<b>748,047</b>	<b>4,491</b>	<b>1,595,329</b>
<b>Net balance sheet exposure</b>	<b>2,237,927</b>	<b>(4,198)</b>	<b>(1,193,050)</b>

The Company realized more purchases in USD than sales. At 31<sup>st</sup> December 2014, if USD would have been 5% (2013: 5%) weaker or stronger against MKD profit would have been MKD 53,311 thousand (2013: MKD 54,538 thousand) after tax in net balance higher or lower, respectively.

**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Change in the interest rates and interest margins may influence financing costs and returns on financial investments.

Changes in market interest rates affect the interest income on time deposits with banks. As of 31<sup>st</sup> December 2014 the Company has time deposits in banks in amount of MKD 456 thousands (2013: MKD150,456 thousands).



(all amounts are in thousands of MKD unless otherwise stated)

### **3. Financial risk management (continued)**

#### **3.1 Financial risk factors(continued)**

##### **Interest risk (continued)**

The Company has borrowings in amounts of MKD 975,437 thousands as of 31<sup>st</sup> December 2014 (2013: MKD 624,653 thousands), therefore 1 percentage point rise in market interest rate would have caused (ceteris paribus) the interest paid to increase with approximately MKD 9,754 thousands annually before tax (2013: MKD 6,246 thousands), while similar decrease would have caused the same decrease in interest paid.

##### **Price risk**

The Company's has two types of commodity price exposures: crude oil and oil products price levels. Both affect the value of inventory and sales margins which in turn affect the future cash flows of the business. In the case of price risk the level of exposure is determined by the amount of priced inventory carried at each Balance Sheet date. The Company policy is to report its inventory at the lower of historic cost and net realisable value and the results are affected by the reduction in the carrying value of the inventory.

The extent of the exposure relates directly to the level of stocks and rate of price decrease. Sales margin exposure relates to the absolute level of margin generated by the operation of the refineries mainly driven by the regulated prices for domestic market by the Government Authorities and the Platts prices for foreign market. The Company is managing the risk of margin exposure with production and import optimisation in order to have favourable inventory level in order to control the sales margin.

#### **(ii) Credit risk**

Credit risk is defined as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk from its operating activities and certain financing activities. The process of managing the credit risk from operating activities includes preventive measures such as creditability checking and prevention barring, corrective measures during legal relationship for example reminding and disconnection activities, collaboration with collection agencies and collection after legal relationship as litigation process, court proceedings, involvement of the executive unit and factoring. The overdue payments are followed through a debt escalation procedure based on customer's type, credit class and amount of debt. The credit risk is controlled through credibility checking – which determines that the customer is not indebted and the customer's credit worthiness and through preventive barring – which determinates the credit limit based on the customer's previous revenues.

The Company's procedures ensure on a permanent basis that sales are made to customers with an appropriate credit history and not exceed an acceptable credit exposure limit.

The Company has collaterals from customers in bank guarantees, mortgages and promissory notes in order to ensure their collectability. The Company does not guarantee obligations of other parties. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. Consequently, the Company considers that its maximum exposure is reflected by the amount of debtors net of provisions for impairment recognized and the amount of cash deposits in banks at the Balance Sheet date. Management is focused on dealing with most reputable banks in foreign and domestic ownership on the domestic market.

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(all amounts are in thousands of MKD unless otherwise stated)

**3. Financial risk management (continued)****3.1 Financial risk factors (continued)****(ii) Credit risk (continued)**

The following table represents Company's exposure to credit risk as at 31<sup>st</sup>December 2014 and 31<sup>st</sup>December 2013:

	<b>2014</b>	<b>2013</b>
Cash and cash equivalents	1,539,647	342,940
Trade receivables	1,605,712	2,232,816
Other receivables	808,599	812,638
	<u><b>3,953,958</b></u>	<u><b>3,388,394</b></u>

Cash and cash equivalents in the table above exclude cash on hand since no credit risk exists for this category.

The receivables are summarized as follows:

	<b>31<sup>st</sup>December 2014</b>		<b>31<sup>st</sup>December 2013</b>	
	Trade receivables - domestic	Trade receivables - foreign	Trade receivables - domestic	Trade receivables - foreign
Neither past due nor impaired	1,247,696	152,300	1,765,599	208,058
Past due but not impaired	69,686	136,030	102,052	157,107
Impaired	48,091	15,839	65,042	15,839
<b>Gross</b>	<b>1,365,473</b>	<b>304,169</b>	<b>1,932,693</b>	<b>381,004</b>
Less: allowance for impairment	(48,091)	(15,839)	(65,042)	(15,839)
<b>Net</b>	<b>1,319,435</b>	<b>286,277</b>	<b>1,867,651</b>	<b>365,165</b>

Trade receivables of MKD 205,716 thousands (2013: MKD 259,159 thousands) were past due but not impaired. Main part of these receivables is matured up to 30 days, with no recent history of default and is secured with collaterals. Further details are presented in Note 18.

**(iii) Liquidity risk**

Liquidity risk is defined as the risk that the Company could not be able to settle or meet its obligations on time. The Company's policy is to maintain sufficient cash and cash equivalents to meet its commitments in the foreseeable future. Any excess cash is mostly deposited in commercial banks. The Company's liquidity management process includes projecting cash flows by major currencies and considering the level of necessary liquid assets, considering business plan, historical collection and outflow data. Regular cash projections are prepared and updated by the Payment and Treasury Department.

The table below analyses Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

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**3. Financial risk management (continued)**

**3.1 Financial risk factors (continued)**

**(iii) Liquidity risk (continued)**

	Less than 3 month	Between 3 months and 1 year	Over 1 year
<b>At 31<sup>st</sup>December 2014</b>			
Trade payables	1,535,496	-	-
Other current liabilities	150,537	-	-
Loans from the banks	975,437	-	-
	<u>2,661,470</u>	-	-
<b>At 31<sup>st</sup>December 2013</b>			
Trade payables	1,544,204	-	-
Other current liabilities	179,010	-	-
Loans from the banks	624,653	-	-
	<u>2,347,867</u>	-	-

The maturity analysis applies to financial instruments only and therefore statutory liabilities are not included.

**3.2. Capital risk management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

**3.3. Fair value estimation**

Cash and cash equivalents, trade receivables and other current financial assets mainly have short term maturity. For this reason, their carrying amounts at the reporting date approximate their fair values.

The table below shows the categorisation of financial assets as at 31<sup>st</sup>December 2014:

	Carrying amount	Fair Value
Cash and cash equivalents	1,539,647	1,539,647
Trade receivables	1,605,712	1,605,712
Other current financial assets	808,599	808,599
	<u>3,953,958</u>	<u>3,953,958</u>

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**3.3. Fair value estimation (continued)**

The table below shows the categorisation of financial assets as at 31<sup>st</sup>December 2013:

	<b>Carrying amount</b>	<b>Fair Value</b>
Cash and cash equivalents	343,092	343,092
Trade receivables	2,232,816	2,232,816
Other current financial assets	812,638	812,638
	<b>3,388,546</b>	<b>3,388,546</b>

**4. Critical accounting estimates and judgments**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**4.1. Critical accounting estimates and assumptions**

The Company makes estimates and assumptions concerning the future. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The most critical estimates and assumptions are discussed below.

**(i) Useful lives of assets**

The determination of the useful lives of assets is based on historical experience with similar assets as well as any anticipated technological development and changes in broad economic or industry factors. In addition, as general guidance the Rule Book for depreciation rates prescribed by tax authorities is followed. The appropriateness of the estimated useful lives is reviewed annually, or whenever there is an indication of significant changes in the underlying assumptions.

Further, due to the significant weight of depreciable assets in Company's total assets, the impact of any changes in these assumptions could be material to Company's financial position, and results of operations. If depreciation cost is decreased/increased by 10%, this would result in change of annual depreciation expense of approximately MKD 23,427 thousand (2013: MKD 26,139 thousand)

**(ii) Potential impairment of property, plant and equipment and intangibles**

The Company (with support from the ultimate parent company) is assessing the impairment of identifiable property, plant, equipment and intangibles whenever there is a reason to believe that the carrying value may materially exceed the recoverable amount and where impairment in value is anticipated. The recoverable amounts are determined by value in use calculations, which use a broad range of estimates and factors affecting those.

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(all amounts are in thousands of MKD unless otherwise stated)

**4.1. Critical accounting estimates and assumptions (continued)****(ii) Potential impairment of property, plant and equipment and intangibles (continued)**

Among others, the Company typically considers future revenues and expenses, macroeconomic indicators, technological obsolescence, discontinuance of operations and other changes in circumstances that may indicate impairment. If impairment is identified using the value in use calculations, the Company also determines the fair value less cost to sell (if determinable), to calculate the exact amount of impairment to be charged (if any). As this exercise is highly judgmental, the amount of potential impairment may be significantly different from that of the result of these calculations.

**(iii) Impairment of trade and other receivables**

The Company calculates impairment for doubtful accounts based on estimated losses resulting from the inability of its customers to make required payments. For customers in bankruptcy and liquidation, impairment is calculated on an individual basis, while for other customers it is estimated on a portfolio basis, for which the Company bases its estimate on the aging of its account receivables balance and its historical write-off experience, customer credit-worthiness and changes in its customer payment terms. These factors are reviewed periodically, and changes are made to calculations when necessary. The estimates involve assumptions about future customer behaviour and the resulting future cash collections. If the financial condition of its customers were to deteriorate, actual write-offs of currently existing receivables may be higher than expected and may exceed the level of the impairment losses recognized so far.

**(iv) Provisions**

Provisions in general are highly judgmental, especially in the cases of legal disputes. The Company assesses the probability of an adverse event as a result of a past event to happen and if the probability is evaluated to be more than fifty percent, the Company fully provides for the total amount of the liability. The Company is rather prudent in these assessments, but due to the high level of uncertainty, in some cases the evaluation may not prove to be in line with the eventual outcome of the case.

**5. Sales**

	2014	2013
Sales on domestic market	16,701,733	19,387,897
Sales on foreign market	5,135,427	6,610,034
	<u>21,837,160</u>	<u>25,997,931</u>

The sales on domestic and foreign market represent sale of oil derivatives.

**6. Cost of goods sold**

	2014	2013
Cost of traded goods	20,735,880	19,925,052
Inventory movements	136,576	2,428,517
Impairment of inventory	68,958	57,643
Manipulation and shrinkage expenses	62,550	52,135
Expenses for chemicals	11,668	125,382
Consumed crude oil	-	2,434,973
Depreciation	-	187,843
	<u>21,015,632</u>	<u>25,211,545</u>

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**7. Operations and logistics expenses**

	<b>2014</b>	<b>2013</b>
Depreciation	209,915	36,663
Gross salaries and wages	187,059	355,875
Redundancy expenses	159,399	35,924
Electricity	34,878	68,638
Insurance expenses	23,807	42,141
Other fixed cost	20,233	22,033
Maintenance expenses	19,639	35,746
Consumed food products	10,052	21,342
Personnel transportation expenses	9,510	23,746
Miscellaneous expenses	5,265	18,137
Own consumption of fuel oil	2,224	7,826
Telecommunication expenses	413	861
Office supplies expenses	244	467
	<b>682,638</b>	<b>669,399</b>

Other fixed costs include expenses for utility services, transportation and consumption of own products.

**8. Administrative expenses**

	<b>2014</b>	<b>2013</b>
Gross salaries and wages	96,344	82,327
Redundancy expenses	68,376	-
Miscellaneous expenses	38,676	59,387
Depreciation	13,296	13,829
Other fixed cost	9,640	4,005
Public relation and advertising expenses	8,399	7,890
Rental expenses	4,502	5,874
Personnel transportation expenses	4,294	4,436
Consumed food products	4,291	5,375
Maintenance expenses	2,342	2,484
Business travel	1,994	1,945
Insurance expenses	1,980	5,209
Telecommunication expenses	1,978	2,161
Management and allocated expenses	1,706	1,533
Office supplies expenses	1,202	870
	<b>259,021</b>	<b>197,325</b>

The miscellaneous expenses include membership fees, management fees, and expenses for audit, health services, real estate tax and other non-production related expenses. Other fixed costs include expenses for utility services and consumption of own products.

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**9. Sales and distribution expenses**

	<b>2014</b>	<b>2013</b>
Gross salaries and wages	104,008	28,622
Redundancy expenses	61,599	2,169
Miscellaneous expenses	28,447	17,470
Depreciation	11,060	23,056
Maintenance expenses	6,965	2,673
Other variable expenses	5,395	6,916
Transportation of oil products – abroad	5,177	2,369
Consumed food products	4,822	1,300
Personnel transportation expenses	4,704	1,107
Other fixed cost	4,017	3,667
Transportation of oil products - in the country	2,285	6,960
Insurance expenses	1,911	3,016
Dues and subscriptions	1,894	1,643
Rental expenses	1,794	567
Telecommunication expenses	599	1,089
Public relation and advertising expenses	887	738
Office supplies expenses	479	150
	<b>246,044</b>	<b>103,512</b>

The miscellaneous expenses are mainly related to cost for quality control for exports.

**10. Other operating income**

	<b>2014</b>	<b>2013</b>
Additionally determined income	18,291	34,997
Income from sale of fixed assets	19,771	1,105
Change in employee benefits obligations	7,772	2,039
Collected written off receivables	211	224
Other income	1,725	1,881
	<b>47,770</b>	<b>40,246</b>

Additionally determined income relates to reversal of the provision for receivables for which new payment terms are negotiated.

**11. Other operating expenses**

	<b>2014</b>	<b>2013</b>
Other expenses	21,768	5,588
Net book value of disposed fixed assets	7,721	71
Impairment of bad and doubtful debts	693	20,839
Additionally determined expenses	434	4,124
Impairment of spare parts	-	14,683
	<b>30,616</b>	<b>45,305</b>

Other expenses mainly relates to expenses for treatment of waste.

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**12. Finance income and costs**

	2014	2013
Foreign exchange gain	220,352	601,670
Interest income	23,959	37,494
<b>Finance income</b>	<b>244,311</b>	<b>639,164</b>
Foreign exchange loss	(385,339)	(539,560)
Interest expenses	(24,678)	(39,261)
Bank charges	(7,222)	(9,396)
<b>Finance costs</b>	<b>(417,239)</b>	<b>(588,217)</b>
<b>Net finance costs</b>	<b>(172,928)</b>	<b>50,947</b>

**13. Income tax expense**

Recognized in the statement of comprehensive income:

	2014	2013
<i>Current tax expense</i>		
Current year	-	(12,116)
<i>Deferred tax expense</i>		
Tax loss carried forward	21,093	-
<b>Total income tax in the statement of comprehensive income</b>	<b>21,093</b>	<b>(12,116)</b>

	2014	2013
Loss before tax	(521,949)	(137,962)
Tax calculated at a tax rate of 10%	-	-
Expenses non tax deductible according to local regulations	311,022	121,160
Tax loss carries forward	(210,926)	-
<b>Tax charge</b>	<b>21,093</b>	<b>(12,116)</b>

Commencing from 1 January 2009 and during 2010 the Government of the Republic of Macedonia has introduced several modifications and changes in the Profit Tax Law. According these changes the base for computation of income tax were non-deductible expenses incurred during the fiscal year, while the income tax was payable at the moment of profit distribution in a form of dividend to a foreign legal entities, foreign and domestic individuals. Dividend distribution among domestic companies was tax exempt.

According to the changes in the Profit Tax Law applicable from the beginning of 2014 the profit tax is payable at the moment of dividend distribution regardless of the ownership structure. Consequently, as per IAS 12, the profit tax arising from the payment of dividends was accounted for as a liability and expense in the period in which dividends are declared, regardless of the actual payment date or the period for which the dividends are paid.



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**13. Income tax expense (continued)**

As of 1 August 2014, new profit tax law came into force being applicable from 1 January 2015 for the net income for 2014. According to the provisions of this new law the tax base is the profit generated during the fiscal year increased for non-deductible expenses and reduced for deductible revenue (i.e. dividends already taxed at the payer), with profit tax at rate of 10%. In line with these changes profit tax for the year was null and deferred tax were calculated and recorded in the 2014 the statement of comprehensive income (see note 2.12).

The tax authorities may at any time inspect the books and records within 5 to 10 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Company's management is not aware of any circumstances, which may give rise to a potential material liability in this respect.

**14. Earnings per share**

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.

	<b>2014</b>	<b>2013</b>
Loss for the year	(500,856)	(150,078)
Less: preference share dividends	-	-
<b>Loss attributable to ordinary equity holders</b>	<u>(500,856)</u>	<u>(150,078)</u>
Weighted average number of ordinary shares in issue:	<u>846,360</u>	<u>846,360</u>

Total 1,356 preference shares were converted into ordinary shares on 9th January 2013. Following this, the weighted average shares of the Company during 2013 were 846,360. OKTA has no preference shares in 2014.

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**15. Property Plant and Equipment**

	Land	Buildings	Machinery and equipment	Construc- tion in progress	Total
<b>At 1 January 2013</b>					
Cost	144,283	3,115,536	6,494,370	52,769	9,806,958
Accumulated depreciation	-	(2,634,567)	(4,353,857)	-	(6,988,424)
<b>Net book amount</b>	<b>144,283</b>	<b>480,969</b>	<b>2,140,513</b>	<b>52,769</b>	<b>2,818,534</b>
<b>Year ended 31 December 2013</b>					
Opening net book amount	144,283	480,969	2,140,513	52,769	2,818,534
Additions	-	-	-	5,976	5,976
Transfer from construction in progress	-	7,918	33,817	(41,735)	-
Depreciation charge	-	(200,202)	(59,804)	-	(260,006)
<b>Closing net book amount</b>	<b>144,283</b>	<b>288,685</b>	<b>2,114,526</b>	<b>17,010</b>	<b>2,564,504</b>
<b>At 31 December 2013</b>					
Cost	144,283	3,123,454	6,519,989	17,010	9,804,735
Accumulated depreciation	-	(2,834,769)	(4,405,463)	-	(7,240,231)
<b>Net book amount</b>	<b>144,283</b>	<b>288,685</b>	<b>2,114,526</b>	<b>17,010</b>	<b>2,564,504</b>
<b>Year ended 31 December 2014</b>					
Opening net book amount	144,283	288,685	2,114,526	17,010	2,564,504
Additions	-	-	-	99,570	99,570
Transfer from construction in progress	-	5,705	18,341	(24,046)	-
Disposals (net book value)	-	(7,216)	(184)	-	(7,400)
Depreciation charge	-	(32,270)	(200,980)	-	(233,250)
<b>Closing net book amount</b>	<b>144,283</b>	<b>254,904</b>	<b>1,931,703</b>	<b>92,534</b>	<b>2,423,424</b>
<b>At 31 December 2014</b>					
Cost	144,283	3,111,695	6,635,179	92,534	9,884,691
Accumulated depreciation	-	(2,856,791)	(4,604,477)	-	(7,461,267)
<b>Net book amount</b>	<b>144,283</b>	<b>254,904</b>	<b>1,931,702</b>	<b>92,534</b>	<b>2,423,424</b>

Out of total depreciation and amortisation expense (of the tangible and intangible assets) amount of MKD 209,915 thousands (2013: MKD 36,663 thousands) has been charged in Operations and logistic expenses, MKD 13,296 thousands (2013: MKD 13,829 thousands) in administrative costs and MKD 11,060 thousands (2013: MKD 23,056 thousands) in selling and distribution expenses.

The Company has recognised land in the financial statement which is in state ownership and the Company has right of use. The procedure for obtaining the legal titles over the land is in process. The Company is committed to obtained full rights of ownership of the land.

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**15. Property Plant and Equipment (continued)**

**Impairment test**

Based on the change in the nature of entity's operations (see Note 1), management reassessed the valuation model of property, plant and equipment as at 31<sup>st</sup>December 2014. The recoverable amounts were assessed on basis on value in use treating the operational activities of importing and reefing as one Cash generating unit. In determining value in use, the cash flows were discounted at a rate of 7.7% (8% for 2013) on a post-tax basis. The valuation model has not suggested any impairment and hence no impairments have been recorded as of 31<sup>st</sup>December 2014 or as at 31<sup>st</sup> December 2013. Management performed sensitivity analyses of the present market value of the entity using different discount rates and concluded that market value of the entity is higher than the net book value of the assets up to 16% WACC.

**16. Available-for-sale financial assets**

	<b>2014</b>	<b>2013</b>
At 1 <sup>st</sup> January	8,520	11,648
Additions	-	-
Disposals	-	-
Net gains/ (losses) transfer to revaluation reserves	3,310	(3,128)
<b>At 31<sup>st</sup>December</b>	<b>11,830</b>	<b>8,520</b>

Available-for-sale financial assets are denominated in Macedonian denars and include the following:

	<b>2014</b>	<b>2013</b>
Investments in companies	4,555	5,227
Investments in banks	7,545	3,293
	<b>11,830</b>	<b>8,520</b>

**17. Deferred income tax assets**

Recognized deferred income tax assets are attributable to tax loss carried forward. The Company has not recognized any deferred tax liability.

	<b>2014</b>	<b>2013</b>
Deferred tax asset:		
Deferred income tax assets to be recovered after more than 12 months	21,093	-
Deferred income tax assets to be recovered within 12 months	-	-
<b>Deferred income tax asset</b>	<b>21,093</b>	<b>-</b>

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**17. Deferred income tax assets (continued)**

Movement in temporary differences during the year

In thousands of denars	Balance 1 January 2014	Recognized in income	Balance 31 December 2014
Loss carried forward	-	(21,093)	21,093
	-	(21,093)	21,093

The temporary differences relate to tax loss carried forward. As per the new Corporate Income Tax law adopted and put into force on 2 August 2014, the taxpayer would be allowed to decrease its tax base for the amount of tax losses which will be carry forward in the period of three years until finally are utilised. The fact that the tax base would be decreased in the next three years based on tax loss carry forward (subject to submission of the declaration to the Government Authorities), triggers recognition of deferred tax assets.

**18. Inventories**

	2014	2013
Raw materials - crude oil	-	288,503
Raw materials	45,417	49,522
Work in progress	-	19,673
Finished goods	28,948	145,852
Trade goods	243,206	473,754
Spare parts and tools and consumables stores	34,797	36,736
	<b>353,368</b>	<b>1,014,040</b>

Due to the change of the nature of entity's operations from refining of crude oil to trading with crude oil derivatives (see Note 1), there is no work in progress and inventory of crude oil in 2014.

**19. Trade and other receivables**

Carrying amount of trade receivables is presented as follows:

	2014	2013
Trade receivables domestic	1,365,473	1,932,693
Trade receivables foreign	304,169	381,004
<b>Trade receivables – gross</b>	<b>1,669,642</b>	<b>2,313,697</b>
Provision for impairment of trade receivables	(63,930)	(80,881)
	<b>1,605,712</b>	<b>2,232,816</b>

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**19. Trade and other receivables (continued)**

Carrying amount of trade and other receivables is presented as follows:

	<b>2014</b>	<b>2013</b>
Trade receivables - domestic	1,365,473	1,932,693
Trade receivables - foreign	285,799	380,670
Foreign receivables from related parties (note 27)	18,370	334
Less: Provision for impairment	(63,930)	(80,881)
<b>Trade receivables – net</b>	<b>1,605,712</b>	<b>2,232,816</b>
Receivable from Escrow account	769,497	769,497
VAT receivables and other receivables from state institutions	-	-
Prepaid expenses	32,197	33,928
Advance payments	6,276	3,791
Receivables from employees	(67)	23
Other short term receivables	696	5,399
<b>Other receivables</b>	<b>808,599</b>	<b>812,638</b>
	<b>2,414,311</b>	<b>3,045,454</b>

Receivables from related parties represent receivables from Hellenic Petroleum S.A. Greece, EL.P.ET. Balkaniki S.A.Greece, Jugpopetrol A.D. Kotor Montenegro, Global Petroleum Albania Sh.p.k. Albania and Vardax S.A. (Note 27).

Following the provisions of the Share Purchase and Concession Agreement dated 8<sup>th</sup> May 1999 concluded between EL.P.ET Balkaniki S.A. (the parent company of OKTA crude oil refinery AD Skopje) and the Government of the Republic of Macedonia, the Company has recognized receivables in the period from 2000 to 2004 in the amount of approximately MKD 769,497 thousands relating to the period prior to the acquisition.

The ageing analysis of trade receivables is as follows:

	<b>2014</b>	<b>2013</b>
Not past due	1,399,996	2,932,540
less than 30 days	132,944	118,006
30 to 90 days	62,013	21,800
90 days to 1 year	10,081	17,744
Over 1 year	64,608	63,825
<b>Total gross receivables</b>	<b>1,669,642</b>	<b>3,153,915</b>

Movements on the provision for impairment of trade receivables are as follows:

	<b>2014</b>	<b>2013</b>
At 1 <sup>st</sup> January	80,881	61,845
Provision for receivables impairment	693	20,838
Collected receivables	(211)	(224)
Unused amounts reversed	(17,433)	(1,578)
<b>At 31<sup>st</sup> December</b>	<b>63,930</b>	<b>80,881</b>

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**19. Trade and other receivables (continued)**

Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The ageing analysis of provision for impairment is as follows:

	<b>2014</b>	<b>2013</b>
Over 1 year	63,930	63,825
Over 180 days	-	17,056
	<u><b>(63,930)</b></u>	<u><b>80,881</b></u>

Movement in allowance for impairment for the separate categories of receivables is as follows:

Domestic	<b>2014</b>	<b>2013</b>
Opening balance at 1 <sup>st</sup> of January	65,047	45,043
Charged to expenses	696	20,223
Collected receivables recognised as income	(211)	(224)
Unused amounts reversed	(17,441)	-
	<u><b>48,091</b></u>	<u><b>65,042</b></u>

Foreign	<b>2014</b>	<b>2013</b>
Opening balance at 1 <sup>st</sup> of January	15,839	16,802
Charged to expenses	-	615
Collected receivables recognised as income	-	-
Unused amounts reversed	-	(1,578)
	<u><b>15,839</b></u>	<u><b>15,839</b></u>

Amounts charged to the allowance account are generally written-off when there is no expectation of recovering additional cash. According the Company's policies the following factors are taking into consideration when assessing the impairment of receivables: receivables above 90 days or more, frequent late payments, high risk customers and customer with financial difficulties. Trade receivables are secured with bank guarantees and mortgages.

The carrying amounts of the Company's trade receivables are denominated in the following currencies:

	<b>2014</b>	<b>2013</b>
MKD	1,365,474	1,867,651
EUR	2,013	241
USD	302,155	364,924
	<u><b>1,669,642</b></u>	<u><b>2,232,816</b></u>

The carrying amounts of the Company's other receivables are denominated in the following currencies:

	<b>2014</b>	<b>2013</b>
MKD	808,599	812,638
	<u><b>808,599</b></u>	<u><b>812,638</b></u>

The fair value of the trade receivables and the other receivables at the balance sheet date is the same as their carrying value.

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**20. Cash and cash equivalents**

	2014	2013
Bank accounts in domestic currency	1,501,858	153,990
Bank accounts in foreign currency	34,413	37,252
Cash on hand	109	153
Other cash and cash equivalents	3,267	151,697
	<u>1,539,647</u>	<u>343,092</u>

The carrying amounts of the cash and cash equivalents are denominated in the following currencies:

	2014	2013
MKD	1,505,211	305,685
EUR	143	52
USD	34,293	37,355
	<u>1,539,647</u>	<u>343,092</u>

**21. Capital and reserves****Shares**

The total authorised number of ordinary shares is 846,360 shares value of EUR 51.12 per share (2013: 846,360 ordinary shares with EUR 51.12 par value). All issued shares are fully paid. During 2013 all preference shares were converted to ordinary shares and there were no preference shares at year end.

The shareholders structure as at 31 December 2014 was as follows:

	Number of ordinary shares	Total shares	% of total share capital
EL.P.ET Balkaniki S.A.	689,875	689,875	81.51 %
Pucko - Petrol DOO	91,965	91,965	10.87 %
Other 1)	64,520	64,520	7.62 %
	<u>846,360</u>	<u>846,360</u>	<u>100 %</u>

1) Shareholders which individually hold less than 0.4% in share capital.

**Dividends**

There are no dividend payments during 2014 (2013: nil). There are no other declared dividends.

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**21. Capital and reserves (continued)**

**Reserves**

*Statutory reserves*

According to Macedonian regulations, the Company is required to have compulsory statutory reserve established through appropriation of its net profits. With the changes of the Law on Trading Companies effective from 1<sup>st</sup> January 2013, the Company is required to set aside 5 percent of its net statutory profit for the year in a statutory reserve until the level of the reserve reaches 1/10 of the share capital. The Company has achieved the required minimum in prior years and consequently no appropriation in 2014 has been made.

*Revaluation reserve*

The revaluation reserve relates to: (i) property, plant and equipment and comprises the cumulative increased carrying value based on the increase of the producers' price index on the date of revaluation that was performed up to 2003; and (ii) effects of revaluation of available for sale financial assets.

**22. Employee benefit obligations**

	<b>2014</b>	<b>2013</b>
Retirement benefit obligations and jubilee awards	13,795	21,751
	<u><b>13,795</b></u>	<u><b>21,751</b></u>

Assumptions are set based on actuarial advice in accordance with published statistics and experience in the country. The employee benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

*Mortality rate:*

From the study of the mortality rates in the past years the Company has determined a representation of the expected current mortality in Republic of Macedonia. Mortality standard table EVK2000 was used for 2014 and 2013.



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**22. Employee benefits obligations (continued)**

	<b>2014</b>	<b>2013</b>
<b>Amounts recognised in Balance sheet</b>		
Present value of obligations	13,795	21,751
Fair value of plan assets	-	-
<b>Net Liability/ (Asset) in Balance Sheet</b>	<b>13,795</b>	<b>21,751</b>
<b>Amounts recognized in Profit and Loss</b>		
Service cost	945	1,030
Net interest on the net defined benefit liability/ (asset)	1,068	1,170
Recognition of actuarial (gain)/Loss	85	-
<b>Regular P&amp;L charge</b>	<b>2,098</b>	<b>2,200</b>
Settlement/ Curtailment/ Termination loss/ (gain)	280,517	33,155
<b>Total P&amp;L Charge</b>	<b>282,615</b>	<b>35,355</b>
<b>Reconciliation of benefit obligation</b>		
Defined Benefit Obligation at start period	21,751	22,893
Service cost	945	1,030
Interest cost	1,068	1,170
Benefits paid directly by the Company	(290,301)	(37,396)
Settlement/ Curtailment/ Termination loss (gain)	280,517	33,156
Actuarial (gain)/loss- experience	(184)	898
<b>Defined benefit obligation at end of period</b>	<b>13,795</b>	<b>21,751</b>
<b>Movements in Net Liability/ (Asset) in Balance Sheet</b>		
Net Liability/ (Asset) in Balance Sheet at the beginning of the period	21,751	22,893
Benefits paid directly	(290,301)	(37,395)
Total expense recognised in the income statement	282,529	35,355
Total amount recognised in the Other comprehensive income	(184)	898
<b>Net Liability/ (Asset) in Balance sheet</b>	<b>13,795</b>	<b>21,751</b>
<b>Assumptions</b>		
Discount rate	4.33%	5%
Price inflation	2.5%	3%
Rate of compensation increase	4,5%	5%
Plan duration	9,72	8,23
Future working life	13,33	15,97
Expected benefits to be paid by the plan in next financial year	71	795

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**23. Trade and other payables**

Carrying amount of trade payables is presented as follows:

	2014	2013
Domestic trade payables	123,828	82,725
Foreign trade payables	1,410,630	1,460,166
Payables for non-invoiced goods	1,038	1,313
	<u>1,535,496</u>	<u>1,554,204</u>

Carrying amount of trade and other payables is presented as follows:

	2014	2013
Domestic trade payables	123,828	82,725
Foreign trade payables	168,987	144,792
Foreign payables from related parties (note 27)	1,241,643	1,315,374
Payables for non-invoiced goods	1,038	1,313
<b>Trade payables</b>	<u>1,535,496</u>	<u>1,554,204</u>
Advances received	25,263	22,985
VAT payable	7,131	39,744
Excise taxes payable	64,036	78,523
Salaries and wages	15,168	19,857
Personal income tax and contributions	7,177	9,306
Withholding tax	92	107
Accrued liabilities	31,670	8,488
<b>Other current liabilities</b>	<u>150,537</u>	<u>179,010</u>
	<u>1,686,033</u>	<u>1,733,214</u>

Liabilities to related parties represent liabilities to Hellenic Petroleum S.A. Greece, Hellenic Fuels Greece, EKO ABEE Greece, Asprofos SA Greece and Vardax S.A. Greece (Note 26).

The carrying amounts of the trade payables are denominated in the following currencies:

	2014	2013
MKD	124,866	84,037
USD	1,368,377	1,455,676
EUR	42,253	4,491
	<u>1,535,496</u>	<u>1,544,204</u>

The carrying amounts of the other payables are denominated in the following currencies:

	2014	2013
MKD	150,537	179,010
	<u>150,537</u>	<u>179,010</u>

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**24. Loans and borrowings**

	<b>2014</b>	<b>2013</b>
Bank borrowings	975,437	624,653
	<b>975,437</b>	<b>624,653</b>

The borrowings are measured at amortised cost. Bank borrowings mature in 2015 and bear average interest rate of treasury bills +2 percentage points.

The carrying amounts and fair value of the current borrowings are as follows:

	<u>Carrying amount</u>		<u>Fair value</u>	
	2014	2013	2014	2013
Bank Borrowings	975,437	624,653	975,437	624,653
	<b>975,437</b>	<b>624,653</b>	<b>975,437</b>	<b>624,653</b>

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant.

The carrying amounts of the borrowings are denominated in the following currencies:

	<b>2014</b>	<b>2013</b>
MKD	975,437	485,000
USD	-	139,653
	<b>975,437</b>	<b>624,653</b>

**OKTA CRUDE OIL REFINERY A.D. – SKOPJE****Notes to the financial statements for the year ended 31<sup>st</sup> December 2014**

(all amounts are in thousands of MKD unless otherwise stated)

**25. Expenses by nature**

	2014	2013
Cost of trading goods sold	20,735,880	19,925,052
Employee related expenses	387,356	466,825
Redundancy expenses	289,374	35,056
Depreciation	234,270	261,391
Changes in inventories	136,575	2,428,516
Remaining non-material expenses	76,910	101,593
Manipulation and shrinkage expenses	69,958	57,643
Inventory shortages	62,550	52,135
Maintenance services	48,468	40,904
Allowance for the expenses of the employees	39,336	58,630
Consumed energy	35,027	68,757
Insurance premiums	27,665	50,368
Transport services	16,731	13,516
Consumed chemicals	12,094	125,382
Rental fees	9,605	11,892
Promotion, advertising, entertainment and sponsorship	9,446	9,054
Other services	8,559	11,236
Net book value of disposed fixed assets	7,721	72
Own consumption	7,274	14,085
Remaining expenses	3,884	9,193
Consumed raw materials	3,699	2,435,831
Daily allowance for business trips and travel expenses	3,611	2,919
Telecommunication expenses	2,990	4,111
Dues and subscriptions	2,028	1,789
Office supply expenses	1,903	1,485
Impairment of bad and doubtful debts	693	20,839
Additionally determined expenses	343	4,130
Impairment of spare parts	-	14,683
	<b>22,233,950</b>	<b>26,227,087</b>

**26. Employee related expenses**

	2014	2013
Salaries and wages	245,640	289,411
Contributions and taxes	115,977	139,258
Other benefits	25,794	38,156
	<b>387,411</b>	<b>466,825</b>

	2014	2013
Average number of employees	503	661

**27. Related party transactions**

The Company is controlled by EL.P.ET Balkaniki S.A. Greece, which owns 81.51% of the Company's shares. Ultimate parent is Hellenic Petroleum S.A, incorporated in Greece. The remaining 7.62% of the shares are held by the minor shareholders and 10.87% of shares are held by DPTU Pucko Petrol Uvoz- Izvoz Doo - Makedonski Brod. All transactions with related parties are conducted under normal trading and commercial terms at mutually agreed terms.

**OKTA CRUDE OIL REFINERY A.D. – SKOPJE****Notes to the financial statements for the year ended 31<sup>st</sup> December 2014**

(all amounts are in thousands of MKD unless otherwise stated)

**27. Related party transactions (continued)**

The following transactions were carried out with related parties:

**i) Sales of goods and services**

<i>Sales of goods</i>	2014	2013
Hellenic Petroleum S.A.	281,979	37
EKO Serbia	-	140,456
	<u>281,979</u>	<u>140,493</u>

<i>Sales of services</i>	2014	2013
Vardax S.A.	12,577	4,306
Jugopetrol A.D. Kotor	3,077	-
EL.P.ET Balkaniki S.A.	18	115
	<u>15,672</u>	<u>4,421</u>

**ii) Purchases of raw material, goods and services**

<i>Purchases of raw material and goods</i>	2014	2013
Hellenic Petroleum S.A.	20,053,024	22,386,737
Eko ABEE	1,850	3,442
	<u>20,054,874</u>	<u>22,390,179</u>

<i>Purchases of services</i>	2014	2013
ELPE International consulting	6,604	5,506
Asprofos S.A.	4,558	-
Vardax S.A.	-	45,907
EKO ABEE	-	4,041
	<u>11,162</u>	<u>55,454</u>

<i>Purchases of fixed assets</i>	2014	2013
Hellenic Fuels	21,176	-
	<u>21,176</u>	<u>-</u>

**iii) Outstanding balances arising from sale of goods/services**

<i>Receivables arising from sale of goods</i>	2014	2013
Hellenic Petroleum S.A.	8,189	62
Global Petroleum Albania Sh.p. Albania	2	2
	<u>8,191</u>	<u>64</u>

<i>Receivables arising from sale of services</i>	2014	2013
Vardax S.A.	9,750	247
Jugopetrol A.D. Kotor	401	-
Hellenic Petroleum S.A.	14	14
EL.P.ET Balkaniki S.A.	14	10
	<u>10,179</u>	<u>271</u>

**OKTA CRUDE OIL REFINERY A.D. – SKOPJE**  
**Notes to the financial statements for the year ended 31<sup>st</sup> December 2014**

(all amounts are in thousands of MKD unless otherwise stated)

**27. Related party transactions (continued)**

**iv) Outstanding balances arising from purchase of goods/services**

<i>Payables arising from purchase of raw materials and goods</i>	<b>2014</b>	<b>2013</b>
Hellenic Petroleum S.A.	1,219,653	1,313,981
EKO ABEE	-	-
	<u>1,219,653</u>	<u>1,313,981</u>
 <i>Payables arising from purchase of services</i>	 <b>2014</b>	 <b>2013</b>
Asprofos S.A	84	-
EKO ABEE	730	730
	<u>814</u>	<u>730</u>
 <i>Payables arising from purchase of fixed assets</i>	 <b>2014</b>	 <b>2013</b>
Hellenic Fuels	21,176	-
	<u>21,176</u>	<u>-</u>

**v) Key management compensation**

Key management includes members of the Board of Directors and Directors within the Company. The compensation paid or payable to key management for services is shown below:

	<b>2014</b>	<b>2013</b>
Salaries	24,146	22,250
Taxes and contributions	6,860	6,304
Other benefits	16,295	4,283
	<u>47,301</u>	<u>32,837</u>

**28. Contingencies**

**a) Bank guarantees**

The Company has contingent liabilities in respect of bank guarantees arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities. The Company has bank guarantees in the amount of MKD 305,500 thousands as at 31 December 2014 (2013: MKD 453,277 thousands). No additional payments are anticipated at the date of the financial statements.

**b) Legal proceedings**

From time to time and in the normal course of the business, claims against the Company may be received. On the basis of its own estimates and both internal and external professional advice, the management of the Company is of the opinion that no material losses will be incurred in respect of claims and accordingly no provision has been made in these financial statements.

**OKTA CRUDE OIL REFINERY A.D. – SKOPJE**  
**Notes to the financial statements for the year ended 31<sup>st</sup> December 2014**

(all amounts are in thousands of MKD unless otherwise stated)

**29. Commitments**

**Operating lease commitments**

The Company leases motor vehicles under operating lease agreements. The lease expenditure charged to the Statement of comprehensive income during the year is disclosed in Note 6,7,8 and 9.

The future aggregate minimum lease payments under operating leases are as follows:

	<b>2014</b>	<b>2013</b>
No later than 1 year	9,518	10,864
Later than 1 year and no later than 5 years	12,932	12,932
Later than 5 years	-	-
	<u><b>22,450</b></u>	<u><b>23,797</b></u>

**30. Events after the reporting period**

There are no events after the reporting period that would have impact on the 2014 Statement of comprehensive income, Statement of financial position or Statement of cash flow.

**OKTA CRUDE OIL REFINERY A.D. - SKOPJE**

**Annual Accounts**

**For the year ended 31<sup>st</sup>December 2014**



Name of the Company: OKTA Crude Oil Refinery AD Skopje

Address: Str. 1 No. 25, Miladinovci, Skopje

Unique ID number: 4074009

## Income Statement 01.01.2014 - 31.12.2014

Ordinal No.	Position	AOP	Note No.	Amount	
				Current year	Previous year
1	2	3	4	5	6
1.	<b>I. OPERATIONAL INCOME (202+203+206)</b>	201		<b>21.884.955.693</b>	<b>26.038.178.692</b>
2.	Sale income	202		21.837.160.492	25.997.930.715
3.	Other income	203		47.795.201	40.247.977
4.	Change of the value of stock of finished products and unfinished production			136.576.420	
4.a.	Stock of finished products and unfinished production at the beginning of the year	204		165.524.700	2.588.940.276
4.b.	Stock of finished products and unfinished production at the end of the year	205		28.948.280	160.423.513
5.	Capitalisation of own production and services	206		0	0
6.	<b>II. OPERATIONAL EXPENSES (208+209+210+211+212+213+218+219+220+221+222)</b>	207		<b>22.104.596.829</b>	<b>23.807.966.174</b>
7.	Raw materials expenses	208		21.965.949	2.568.001.073
8.	Purchase price of the goods sold	209		20.735.879.590	19.925.051.774
9.	Purchase price of materials, spare parts, small inventory, packaging and tyres	210		0	0
10.	Services categorized as material expenses	211		129.354.780	161.543.070
11.	Other operational expenses	212		434.166.162	212.861.555
12.	Employees expenses (214+215+216+217)	213		406.489.155	524.034.691
12.a.	Net salaries	214		361.571.944	289.411.181
12.b.	Expenses for taxes and salaries contributions	215		0	25.798.699
12.c.	Mandatory social contribution expenses	216		0	113.459.092
12.d.	Other expenses for employees	217		44.917.211	95.365.719
13.	Depreciation of tangible and intangible assets	218		234.270.150	261.391.417
14.	Impairment of non-fixed assets	219		0	0
15.	Impairment of fixed assets	220		69.651.694	93.165.101
16.	Provisions for risks and expenses	221		0	0
17.	Other operational expenses	222		72.819.349	61.917.493
18.	<b>III. FINANCIAL INCOME (224+229+230+231+232+233)</b>	223		<b>244.286.350</b>	<b>639.164.144</b>
19.	Financial income arising from related parties (225+226+227+228)	224		100.677.665	464.798.826
19.a.	Income from investment in related parties	225		0	0
19.b.	Income from interests from related parties	226		0	0
19.c.	Income from foreign exchange difference from related parties	227		100.677.665	464.798.826
19.d.	Other financial income from related parties	228		0	0
20.	Income from investment in non-related parties	229		0	0
21.	Income from interests from non-related parties	230		23.934.050	37.494.049
22.	Income from foreign exchange difference from non-related parties	231		119.674.635	136.871.269
23.	Unrealised income from financial assets	232		0	0
24.	Other financial income	233		0	0
25.	<b>IV. FINANCIAL EXPENSES (235+239+240+241+242+243)</b>	234		<b>385.363.203</b>	<b>578.821.589</b>
26.	Financial expenses with related parties (236+237+238)	235		311.514.023	392.273.784
26.a.	Expenses for interest payable to related parties	236			0
26.b.	Expense for foreign exchange differences payable to related parties	237		311.514.023	392.273.784
26.c.	Other financial expenses payable to related parties	238			0
27.	Expenses for interest payable to non-related parties	239		24.678	39.261.612
28.	Expense for foreign exchange differences payable to non-related parties	240		73.824.502	147.286.193
29.	Unrealised loss from financial assets	241			0
30.	Impairment of financial assets and investment	242			0
31.	Other financial expenses	243			0
32.	Participation in the profit of associate entities	244			0
33.	Participation in the loss of associate entities	245			0
34.	Profit from regular operations (201+223+244)-(204-205+207+234+245)	246			0
35.	Loss from regular operations (204-205+207+234+245)-(201+223+244)	247		521.948.186	137.961.690
36.	Net profit from interrupted work	248			0

37.	Net loss from interrupted work	249			0
38.	Profit before taxation (246+248) или (246-249)	250			0
39.	Loss before taxation (247+249) или (247-248)	251		521.948.186	137.961.690
40.	Corporate income tax	252		0	12.116.687
41.	Deferred tax assets	253		21.092.671	0
42.	Deferred tax liabilities	254			0
43.	<b>NET PROFIT FOR THE CURRENT YEAR (250-252+253-254)</b>	255		0	0
44.	<b>NET LOSS FOR THE CURRENT YEAR (251+252-253+254)</b>	256		<b>500.855.515</b>	<b>150.078.377</b>
45.	Average number of employees upon work hours	257		0	666
46.	Number of months of work	258		12	12
47.	<b>PROFIT/LOSS FOR THE PERIOD</b>	259		<b>500.855.515</b>	<b>150.078.377</b>
47.a.	Profit belonging to the shareholders in the parent company	260		0	0
47.б.	Profit belonging to the uncontrollable participation	261		0	0
47.в.	Loss belonging to the shareholders in the parent company	262		408.247.330	122.328.885
47.г.	Loss belonging to the uncontrollable participation	263		92.608.185	27.749.492
48.	<b>EARNINGS PER SHARE</b>	264		0	0
48.a.	Total basic earnings per share	265		0	0
48.б.	Total diluted earnings per share	266		0	0
48.в.	Basic earning per share from interrupted work	267		0	0
48.г.	Diluted earnings per share from interrupted work	268		0	0
<b>REPORT FOR COMPREHENSIVE INCOME</b>					
1.	Profit for the year	269			
2.	Loss for the year	270		500.855.515	150.078.377
3.	Other comprehensive profit (273+275+277+279+281+283) - (274+276+278+280+282+284)	271		3.494.636	2.763.821
4.	Other comprehensive loss (274+276+278+280+282+284) - (273+275+277+279+281+283)	272			
5.	Gains arising from translation of foreign operations	273			
6.	Loss arising from translation of foreign operations	274			
7.	Gains from re-assessment of financial assets available for sale	275		3.310.450	3.661.950
8.	Loss from re-assessment of financial assets available for sale	276			
9.	Effective portion of gains from hedging instruments for hedging of cash flows	277			
10.	Effective portion of losses from hedging instruments for hedging of cash flows	278			
11.	Changes of re-evaluation reserves for non-current assets (+)	279			
12.	Changes of re-evaluation reserves for non-current assets (-)	280			
13.	Actuarial gains on defined plans for employee benefits	281		184.186	
14.	Actuarial losses on defined plans for employee benefits	282			898.129
15.	Share in other comprehensive income of associates (just for the needs of consolidation)	283			
16.	Share in other comprehensive loss of associates (just for the needs of consolidation)	284			
17.	Corporate Income Tax in the components of the other comprehensive income	285			
18.	Net other comprehensive income (271-285)	286		3.494.636	2.763.821
19.	Net other comprehensive loss (285-271) или (272+285)	287			
20.	<b>Total comprehensive income for the year (269+286) или (286-270)</b>	288			
20.a.	Comprehensive income attributable to share holders of parent company	289			
20.б.	Comprehensive income belonging to uncontrollable participation	290			
21.	<b>Total comprehensive loss for year (270+287) or (270-286) or (287-269)</b>	291		<b>497.360.879</b>	<b>147.314.556</b>
21.a.	Comprehensive loss attributable to share holders of parent company	292			
21.б.	Comprehensive loss belonging to uncontrollable participation	293			

In: Skopje  
On date: 25.02.2015

Name of the Company: OKTA Crude Oil Refinery AD Skopje

Address: Str. 1 No. 25, Miladinovci, Skopje

Unique ID number: 4074009

**Balance Sheet** 01.01.2014 - 31.12.2014

Position	AOP	Note No	Amount	
			Current year	Previous year
1	2	3	4	5
<b>ASSETS: A. NON-FIXED ASSETS (002+009+020+021+031)</b>	001		2.455.341.524	2.575.078.487
<b>I. Intangible assets (003+004+005+006+007+008)</b>	002		20.087.002	2.053.654
Expenditures for research and development	003		0	0
Patents, license, concession and other rights.	004		0	2.053.654
Goodwill	005		0	0
Advance payment for intangible assets	006		0	0
Intangible assets in preparation	007		0	0
Other intangible assets	008		20.087.002	0
<b>II. Tangible assets (010+013+014+015+016+017+018+019)</b>	009		2.423.423.522	2.564.504.283
<b>Immovable property (real estate) (011+012)</b>	010		399.186.883	432.967.703
Land	011		144.282.744	144.282.744
Buildings	012		254.904.139	288.684.959
Plant and equipment	013		1.833.166.183	2.007.064.675
Transport assets	014		33.735.001	39.555.852
Tools, office inventor, assets for transport	015		64.712.518	67.906.459
Biological assets	016		0	0
Advance payment for tangible	017		0	0
Tangible assets in preparation	018		92.534.198	17.009.594
Other tangible assets in preparation	019		88.739	0
<b>III. INVESTMENT IN IMMOVABLE PROPERTY</b>	020		0	0
<b>IV. LONG-TERM FINANCIAL ASSETS (022+023+024+025+026+030)</b>	021		11.831.000	8.520.550
Investment in branch offices	022		0	0
Investment in associate entities and joint venture investments	023		0	0
Receivables from long-term loans granted to related parties	024		0	0
Receivables from long-term loans	025		0	0
Investment in long-term securities (027+028+029)	026		11.831.000	8.520.550
Investment in securities held to maturity	027		0	0
Investments in securities available for sale	028		11.831.000	8.520.550
Investments in securities at fair value through profit or loss	029		0	0
Other long-term financial assets	030		0	0
<b>V. LONG-TERM RECEIVABLES (032+033+034)</b>	031		0	0
Receivables from related parties	032		0	0
Receivables from customers	033		0	0
Other long-term receivables	034		0	0
<b>VI. DEFERRED TAX ASSETS</b>	035		21.092.671	0
<b>B. CURRENT ASSETS (037+045+052+059)</b>	036		4.274.131.255	4.368.657.678
<b>I. Stocks (038+039+040+041+042+043)</b>	037		352.368.483	1.014.039.721
Stocks of raw materials	038		45.416.989	338.025.114
Stocks of spare parts, small inventory, packaging and tyres	039		34.797.585	36.735.703
Stock of unfinished products and semi-products	040		0	19.673.269
Stock of finished products	041		28.948.280	145.851.431
Stock of commercial products	042		243.205.629	473.754.204
Stock of biological products	043		0	0
<b>II. ASSETS (OR GROUP FOR TRANSFER FOR SALES AND INTERRUPTED WORKS)</b>	044		0	0
<b>III. SHORT-TERM RECEIVABLES (046+047+048+049+050+051)</b>	045		2.382.114.955	3.011.525.773
Receivables from related parties	046		18.370.997	792.995
Trade accounts receivable	047		1.587.341.450	2.232.023.192
Advance payments	048		6.276.100	0
Receivables from the state upon taxes, social contribution, customs duties, excise and other duties towards the state	049		10.793.802	1
Receivables from the employees	050		912.287	527.587
Other short term receivables	051		758.420.319	778.181.998

<b>IV. SHORT-TERM FINANCIAL ASSETS (053+056+057+058)</b>	052		0	0
Investment in securities (054+055)	053		0	0
Investment in securities held to maturity	054		0	0
Investments in securities at fair value through profit or loss	055		0	0
Receivables from short-term loans granted to related parties	056		0	0
Receivables from short-term loans	057		0	0
Other short-term financial assets	058		0	0
<b>V. Cash and cash equivalents (060+061)</b>	059		1.539.647.817	343.092.184
Cash	060		1.536.379.825	191.395.274
Cash equivalents	061		3.267.992	151.696.910
<b>VI. PREPAYMENT OF EXPENSES FOR FUTURE PERIODS AND CALCULATED REVENUES</b>	062		32.196.662	33.928.107
<b>TOTAL ASSETS: ASSETS (001+035+036+044+062)</b>	063		6.782.762.112	6.977.664.272
<b>B. OUT-OF-BALANCE RECORDS - ASSETS</b>	064		3.615.529.828	3.615.529.828
<b>LIABILITIES: A. SHARE CAPITAL AND RESERVES (066+067-068-069+070+071+075-076+077-078)</b>	065		4.107.497.464	4.604.858.343
<b>I. SHARE CAPITAL</b>	066		2.472.819.516	2.472.819.516
II. Share premiums	067		0	0
III. Own shares (-)	068		0	0
IV. Registered, not paid capital (-)	069		0	0
V. Revaluation reserve and differences from evaluation of components of the other comprehensive profit	070		85.599.198	82.104.562
<b>VI. RESERVES (072+073+074)</b>	071		812.119.797	812.119.797
Statutory reserves	072		494.718.176	494.718.176
Company's reserves (according to the Incorporation Act)	073		0	0
Other reserves	074		317.401.621	317.401.621
<b>VII. ACCUMULATED PROFIT</b>	075		1.237.814.468	1.387.892.845
<b>VIII. TRANSFERRED LOSS (-)</b>	076		0	0
<b>IX. PROFIT FOR THE CURRENT YEAR</b>	077		0	0
<b>X. LOSS FOR THE CURRENT YEAR</b>	078		500.855.515	150.078.377
<b>XI. SHARE CAPITAL OF THE OWNERS OF THE PARENT COMPANY</b>	079		0	0
<b>XII. NON-CONTROLLABLE PARTICIPATION</b>	080		0	0
<b>B. LIABILITIES (082+085+095)</b>	081		2.643.594.402	2.364.318.199
<b>I. LONG-TERM PROVISIONS FOR RISKS AND EXPENSES (083+084)</b>	082		13.795.103	21.751.402
Provisions for pensions, severance payments and similar liabilities towards the employees	083		13.795.103	21.751.402
Other long-term provisions for risks and expenses	084		0	0
<b>II. LONG-TERM LIABILITIES (од 086 до 093)</b>	085		0	0
Liabilities to related parties	086		0	0
Trade payables	087		0	0
Advance and deposit liabilities	088		0	0
Liabilities upon loans and credits to related parties	089		0	0
Liabilities upon loans and credits	090		0	0
Liabilities upon securities	091		0	0
Other financial liabilities	092		0	0
Other long-term liabilities	093		0	0
<b>III. DEFERRED TAX LIABILITIES</b>	094		0	0
<b>IV. SHORT-TERM LIABILITIES (од 096 до 108)</b>	095		2.629.799.299	2.342.566.797
Liabilities to related parties	096		1.241.624.903	1.315.375.059
Trade payables	097		293.891.917	228.834.142
Advance and deposit liabilities	098		25.240.500	22.979.939
Liabilities for taxes and social contribution upon salaries	099		22.344.946	9.305.668
Liabilities towards the employees	100		0	19.857.860
Current tax liabilities	101		71.259.523	121.561.129
Short-term provisions for risks and expenses	102		0	0
Liabilities upon loans and credits to related parties	103		0	0
Liabilities upon loans and credits	104		975.437.510	624.653.000
Liabilities upon securities	105		0	0
Liabilities upon participation in the profits	106		0	0
Other financial liabilities	107		0	0
Other long-term liabilities	108		0	0
<b>V. DEFERRED PAYMENTS OF EXPENSES AND INCOME IN FUTURE PERIODS</b>	109		31.670.246	8.487.730
<b>VI. LIABILITIES FOR NON-FIXED ASSETS (OR GROUPS FOR TRANSFER) HELD FOR SALE OR INTERRUPTION OF WORK</b>	110		0	0
<b>TOTAL LIABILITIES: SHARE CAPITAL, RESERVES AND LIABILITIES (065+081+094+109+110)</b>	111		6.782.762.112	6.977.664.272
<b>B. OUT-OF-BALANCE RECORDS - LIABILITIES</b>	112		3.615.529.828	3.615.529.828

In: Skopje

On date: 25.02.2015

Name of the Company: OKTA Crude Oil Refinery AD Skopje

Address: Str. 1 No. 25, Miladinovci, Skopje

Unique ID number: 4074009

Specific data for the period 01.01.2014-31.12.2014

Group of accounts or accounts	Position	AOP	Amount	
			Current year	Previous year
2	3	4	5	6
	<b>A. Intangible assets</b>		<b>12.392.152</b>	<b>2.053.654</b>
1.	Purchase value of computer software	601	19.816.034	8.456.786
1.a.	Impairment of computer software	602		
1.6.	Accumulated depreciation of computer software	603	7.423.882	6.403.132
1.b.	Current value of computer software (< or = AOP 004 from BS)	604		2.053.654
	<b>B. Tangible assets</b>		<b>414.252.446</b>	<b>432.967.703</b>
2.	Land	605	144.282.744	144.282.744
3.	Forests	606		
4.	Purchase value of apartments and residential buildings	607	3.111.694.799	3.123.453.562
4.a.	Impairment of apartments and residential buildings	608		
4.6.	Accumulated depreciation of apartments and residential buildings	609	2.856.790.660	2.834.768.603
4.b.	Current value of apartments and residential buildings (< or = AOP 012 from BS)	610	254.904.139	288.684.959
5.	Purchase value of nonresidential buildings	611		
5.a.	Impairment of nonresidential buildings	612		
5.6.	Accumulated depreciation of nonresidential buildings	613		
5.b.	Current value of nonresidential buildings (< or = AOP 012 from BS)	614		
6.	Original art and literature works for performing activities of culture and art	615		
7.	Purchase value of the several years old plantations	616		
7.a.	Impairment of the several years old plantations	617		
7.6.	Accumulated depreciation of the several years old plantations	618		
7.b.	Current value of the several years old plantations (< or = AOP 016 from BS)	619		
8.	Purchase value of the basic herd	620		
8.a.	Impairment of the basic herd	621		
8.6.	Accumulated depreciation of the basic herd	622		
8.b.	Current value of the basic herd (< or = AOP 016 from BS)	623		
9.	Books, paintings, sculptures, museum exhibits items of archive materials, etc.	624		
10.	Investments in natural resources in preparation	625		
11.	Improvement of land	626		
	<b>C Income</b>		<b>21.903.488.096</b>	<b>26.048.894.252</b>
12.	<b>I. Sale income</b>	627	<b>21.856.931.900</b>	<b>25.997.930.715</b>
13.	Income from sale of goods (< or = AOP 202 from IS)	628		
14.	Income from services (< or = AOP 202 from IS)	629		
15.	Income from sale of products, goods and services in the domestic market (< or = AOP 202 from IS)	630	16.721.504.184	19.387.896.396
16.	Income from sale of products, goods and services in the foreign market (< or = AOP 202 from IS)	631	5.135.427.716	6.610.034.319
17.	Income from sale of products, goods and services in EU member countries 2) (< or = AOP 202 from IS)	632		
18.	Income from usage of computer software developed for own use (< or = AOP 206 from IS)	633		
19.	Income from rent (< or = AOP 202 from IS)	634		
20.	Income from rent of land (< or = AOP 202 from IS)	635		
21.	Income from sale of goods based on financial rent (leasing) (< or = AOP 202 from IS)	636		
22.	<b>II. Other income</b>	637	<b>46.556.196</b>	<b>50.963.537</b>
23.	Profit from sale of tangible assets and intangible assets (< or = AOP 203 from IS)	638		
24.	Profit from sale of biological resources - assets (< or = AOP 203 from IS)	639		
25.	Profit from sale of capital share and securities (< or = AOP 203 from IS)	640		
26.	Profit from sale of materials (< or = AOP 203 from IS)	641		1.105.345
27.	Income from surpluses (< or = AOP 203 from IS)	642	18.533.281	10.715.562
28.	Income from written-off receivables and income from write-off of liabilities (< or = AOP 203 from IS)	643	236.010	224.220
29.	Income based on effects from contracted risk protection (< or = AOP 203 from IS)	644		
30.	Income from premiums, subventions, grants and donations (< or = AOP 203 from IS)	645		
31.	Income from subventions (< or = AOP 203 from IS)	646		
32.	Income from donations and sponsorships (< or = AOP 203 from IS)	647		
33.	Income from cancellation of long-term reservations (< or = AOP 203 from IS)	648		
34.	Other operating income (< or = AOP 203 from IS)	649	7.772.113	2.039.241

35.	Income from penalty fees, unclaimed deposits, awards, etc.(< or = AOP 203 from IS)	650		
36.	Income from previous years (< or = AOP 203 from IS)	651	20.014.792	36.879.169
37.	Income from taxes and contributions (< or = AOP 203 from IS)	652		
38.	Income from operating leasing (< or = AOP 203 from IS)	653		
39.	<b>III. Financial income</b>	654		
40.	Income from dividends	655		
	<b>D. Expenses</b>		<b>570.934.273</b>	<b>2.964.730.854</b>
41.	<b>I. Costs for raw materials, energy, spare parts and small inventory</b>	656	<b>70.920.608</b>	<b>2.657.290.591</b>
42.	Costs for raw materials (< or = AOP 208 from IS)	657	16.364.277	2.565.658.389
43.	Heating, fuel and grease (< or = AOP 208 from IS)	658		
44.	Food articles(< or = AOP 208 from IS)	659		
45.	Office materials (< or = AOP 208 from IS)	660	1.902.563	1.485.209
46.	Costs for packaging (< or = AOP 208 from IS)	661		
47.	Uniforms-protective clothing and footwear (< or = AOP 208 from IS)	662	3.699.109	857.475
48.	Materials for cleaning and maintenance (< or = AOP 208 from IS)	663		
49.	Water (< or = AOP 208 from IS)	664		
50.	Used electricity (< or = AOP 208 from IS)	665	35.026.705	68.756.724
51.	Used fuel energy(< or = AOP 208 from IS)	666	7.273.729	14.085.073
52.	Used spare parts and maintenance materials (< or = AOP 208 from IS)	667	5.773.403	5.738.125
53.	Write-off of inventory, packaging and tires (in production) (< or = AOP 208 from IS)	668	880.822	709.596
54.	<b>II. Costs for services</b>	669	<b>19.999.751</b>	<b>17.819.451</b>
55.	Transportation services in the country (< or = AOP 211 from IS)	670	2.284.766	6.993.303
56.	Transportation services abroad (< or = AOP 211 from IS)	671	14.446.251	6.522.797
57.	Postal services in the country (< or = AOP 211 from IS)	672	3.268.734	4.303.351
58.	Postal services abroad (< or = AOP 211 from IS)	673		
59.	External services for manufacture (< or = AOP 211 from IS)	674		
60.	Production and craft services (< or = AOP 211 from IS)	675		
61.	Rents for business premises in the country (< or = AOP 211 from IS)	676		
62.	Rent of equipment (< or = AOP 211 from IS)	677		
63.	Rent of land (< or = AOP 211 from IS)	678		
64.	Costs for research and development (< or = AOP 211 from IS)	679		
65.	<b>III. Compensation costs for employees</b>	680	<b>14.387.583</b>	<b>18.715.627</b>
66.	Calculated compensation during sick leave	681	1.994.435	3.220.277
67.	Compensation for severance pay for retirement (< or = AOP 217 from IS)	682	0	42.370
68.	One time compensation in the form of severance payment for permanent engagement under conditions defined by law (< or = AOP 217 from IS)	683		
69.	Jubilee awards (< or = AOP 217 from IS)	684	386.100	2.505.060
70.	Regress for annual holiday (< or = AOP 217 from IS)	685	11.901.714	12.736.756
71.	Other employee benefits (< or = AOP 217 from IS)	686	105.334	211.164
72.	Volume - increased diet	687		
73.	<b>IV. Other operating expenses</b>	688	<b>465.434.016</b>	<b>265.825.614</b>
74.	Daily allowance for business trips, overnights and travel expenses (< or = AOP 217 from IS)	689	451.656	131.478
75.	Daily allowance for business trips (< or = AOP 217 from IS)	690	23.212.404	3.920.548
76.	Compensation for employee expenses and gifts (< or = AOP 217 from IS)	691		
77.	Compensation for accommodation and food provided by the company (< or = AOP 217 from IS)	692		
78.	Separate life compensation (< or = AOP 217 from IS)	693		
79.	Gifts to employees (< or = AOP 217 from IS)	694		
80.	Costs for organized food during work (< or = AOP 217 from IS)	695	19.166.235	28.016.561
81.	Costs for organized transportation to the and from the work place (< or = AOP 217 from IS)	696	18.508.462	29.288.843
82.	Royalty compensations (< or = AOP 217 from IS)	697	162.651	
83.	Compensation for occasional and temporary work (< or = AOP 217 from IS)	698		
84.	Costs for sponsorships (< or = AOP 212 from IS)	699	828.500	441.118
85.	Representation costs (< or = AOP 212 from IS)	700	3.954.434	5.766.354
86.	Premiums for property insurance (< or = AOP 212 from IS)	701	25.534.352	47.156.981
87.	Insurance premiums for individuals (< or = AOP 212 from IS)	702	0	1.596.600
88.	Bank services fees (< or = AOP 212 from IS)	703	7.222.763	9.395.769
89.	Taxes that do not depend on the result (< or = AOP 212 from IS)	704	33.902.637	14.212.199
90.	Contributions that do not depend on the result(< or = AOP 212 from IS)	705	687.849	814.460
91.	Membership fees of associations in the country and abroad (< or = AOP 212 from IS)	706	11.972.212	14.221.950
92.	Other costs from the work (< or = AOP 212 from IS)	707	319.829.861	110.862.753
93.	<b>V. Other expenses</b>	708	<b>192.315</b>	<b>5.079.571</b>
94.	Fines, penalties and compensation for damages etc. (< or = AOP 222 from IS)	709	192.315	5.079.571
95.	Compensation for damages (< or = AOP 222 from IS)	710		
96.	<b>VI. Impairment of financial assets and investments</b>	711		
97.	Impairment of long-term financial investments and other securities available for sale (= AOP 242 from IS)	712		

98.	<b>VII. Dividends and other payments to the investors</b>	713		
99.	Paid out dividends	714		
	<b>E. Specific data</b>			
100.	Average number of employees based on the situation at the end of the month	715		

In: Skopje

On date: 25.02.2015

## CORPORATE INCOME TAX RETURN FOR TAXATION OF PROFIT

Tax period: 01 January - 31 December 2014

### Determination of the corporate income tax

<b>I.</b>	<b>Financial result as per the Income statement</b>	01	<b>521.948.186,00</b>
<b>II.</b>	<b>Reconciliation of the non-deductible expenses from current year (sum of rows 03 to 27)</b>	02	<b>311.022.045,00</b>
1.	Expenses not related to the business activity of the tax payer	03	261.291.584,00
2.	Paid compensation for expenses and other personal income from employment over the prescribed limit	04	
3.	Paid compensation for expenses for the employees not mentioned in Article 9, paragraph 1 item 2 from the CIT Law.	05	
4.	Expenses for organized food and transport that are paid over the prescribed limit.	06	
5.	Expenses for monthly compensation for members of management bodies over the prescribed limit.	07	781.044,00
6.	Expenses for paid voluntary social security contributions over the prescribed limit	08	
7.	Compensations for persons-volunteers and for persons engaged in public work paid over the prescribed limit	09	
8.	Hidden profit distributions	10	
9.	Entertainment costs	11	3.581.198,00
10.	Expenses for <b>donations</b> in accordance with the Law for donations and sponsorship in the public services exceeding 5% of the total annual income.	12	2.257.466,00
11.	Expenses for <b>sponsorships</b> in accordance with the Law for donations and sponsorship in the public services exceeding 3% of the total annual income	13	457.500,00
12.	Expenses for interest of credits not used for the business activity of the tax payer	14	
13.	Insurance premiums that the employer pays for members of management bodies and employees	15	
14.	Withholding tax paid on behalf of third persons which represent expense for the tax payer	16	
15.	Fines and tax penaltues, penal and penalty interest for late payment of public duties and expenses for forced collection	17	192.315,00
16.	Scholarships payments	18	
17.	Expenses for scrapping	19	38.538.842,00
18.	Permanent write-off of receivables	20	
19.	Expenses for the impairment of receivables	21	693.256,00
20.	Amount of uncollected loan receivables	22	
21.	Difference between transfer and market price between related parties	23	
22.	Taxable amount of loan interest paid to a related party that is not a bank or other authorized credit institution	24	
23.	Amount of penalty interest between related parties	25	
24.	Taxable amount of loan interest paid to non-resident shareholders that hold at least 25% from the Company's capital	26	
25.	Other adjustments of expenses in accordance with the CIT Law that are not specifically mentioned in the previous ordinal numbers.	27	3.228.840,00
<b>III.</b>	<b>Taxable base (I+II)</b>	<b>28</b>	<b>210.926.141,00</b>
<b>IV.</b>	<b>Tax credit (rows 30 + 31 + 32 + 33 + 34)</b>	<b>29</b>	<b>0,00</b>
26.	Amount of collected receivables for which a previous payment of CIT was made.	30	



27.	Amount of collected part of loan receivable for which a previous payment of CIT was made.	31	
28.	The amount of dividend income derived from shares in another Macedonian company.	32	
29.	The part of the financial loss adjusted for non-deductible expenses carried forward from previous years.	33	
30.	The amount of reinvested profit.	34	
<b>V.</b>	<b>Tax base afer tax credit (III - IV)</b>	<b>35</b>	<b>210.926.141,00</b>
<b>VI.</b>	<b>Calculated corporate income tax (V x 10%)</b>	<b>36</b>	<b>21.092.614,10</b>
<b>VII.</b>	<b>Tax deduction and exemptions (rows 38 + 39 + 40)</b>	<b>37</b>	<b>0,00</b>
31.	Deductions for amount of purchased and used 10 fiscal registers	38	
32.	The withholding tax paid in respect of income derived from foreign countries (but not more than 10%)	39	
33.	The tax paid by a branch office which performs operations in a foreign company for the profit included in the income of the parent company in Republic of Macedonia (but not more than 10%)	40	
<b>VIII.</b>	<b>Corporate income tax after deduction (VI-VII)</b>	<b>41</b>	<b>21.092.614,10</b>
34.	Advance payments for corporate income tax for the fiscal period	42	
35.	Amount of over paid corporate income tax transferred from previous tax periods	43	
36.	Sum to pay/overpaid tax amount (rows 41 - 42 - 43)	44	<b>21.092.614,10</b>
<b>IX.</b>	<b>Specific data</b>		
37.	Total amount of reinvested profit	45	
38.	Financial loss from previous years for which the three years deadline for the right of offsetting has not expired	46	
39.	Incurred loss adjusted for the amount of non-deductible expenses in the current year which can be carried forward in the next three years	47	
40.	Not utilized transferred part of the right of tax deduction as per the provisions of Article 30 from the CIT Law	48	
41.	Incurred total income for the current year	49	
42.	Total donations in current year	50	
43.	Total sponsorships in current year	51	

## **Explanatory Notes**

**OKTA CRUDE OIL REFINERY A.D. – SKOPJE****Notes to the financial statements for the year ended 31 December 2014**

(all amounts are in MKD unless otherwise stated)

**1. General information**

OKTA Crude oil refinery A.D. - Skopje (hereinafter "the Company") is a joint stock company established on 26 March 1980. The Company is owned 81.51% by EL.P.ET Balkaniki S.A., a company jointly controlled - 63% by Hellenic Petroleum S.A. and 37% by Consortium of banks APE. The parent company is incorporated in Greece.

The Company's main activities are production, blending, trade and import of oil derivatives. Major products are Gasoline, Diesels, Fuel oil, LPG, Kerosene-Jet Oil and Sulphur. OKTA has a leading position in the supply and trading of oil derivatives. The company uses the Refinery and installation in Skopje for production, import and sale of oil derivatives.

As of 31<sup>st</sup> December 2014, the Company had 458 employees (2013: 645 employees).

The address of the Company is as follows:

Street 1 no.25  
Miladinovci Ilinden  
1000 Skopje  
Macedonia

The names of the Directors of the Company serving during the financial year are as follows:

Chief Executive Officer:

- Viktor Papakonstantinou starting from 6<sup>th</sup> June 2013 up to 28<sup>th</sup> January 2015
- Ioannis Geroulanos from 28<sup>th</sup> January 2015

Director of Finance and Administration: Georgios Anagnostopoulos

The financial statements of OKTA Crude oil refinery A.D. – Skopje were authorised for issue by the Management on 20<sup>st</sup> February 2015 and will be subject of approval by the Board of Directors on 26<sup>th</sup> February 2015. These financial statements are subject to approval from Company's Shareholders Assembly.

**2. Summary of significant accounting policies**

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**2.1. Basis of preparation**

These financial statements are prepared, in all material respects, in accordance with the Company Law (published in Official Gazette No. 28/2004, 84/2005, 25/2007, 87/2008, 42/2010, 48/2010, 24/2011 and 166/2012) and the Rule Book for Accounting (published in Official Gazette No.159/2009 and No.164/2010), whereby the International Financial Reporting Standards (IFRS) were published. This Rule Book of Accounting comprise International Financial Reporting Standards (IFRS) - IFRS 1 to IFRS 8, International Accounting Standards (IAS) - IAS 1 to IAS 41, International Financial Reporting Interpretations Committee (IFRIC) - IFRIC 1 to IFRIC 17 and Standing Interpretations Committee (SIC) Interpretations comprising SIC 7 to SIC 32.

IFRS 9, IFRS 10, IFRS 11, IFRS 12, IFRS 13, IFRIC 18, IFRIC 19 and IFRIC 20 are not included in the Rule Book for Accounting and are not applied by the Company.

IFRS standards (including IFRS 1) were initially published in the Official Gazette in 1997, and since then several updates have followed. The last update was in December 2010. The

**OKTA CRUDE OIL REFINERY A.D. – SKOPJE****Notes to the financial statements for the year ended 31 December 2014**

(all amounts are in MKD unless otherwise stated)

Company applies all relevant standards and the amendments and interpretations which were published in the Official Gazette.

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain fixed assets and depreciation and available for sale financial assets.

The financial statements are presented in thousands Macedonian Denars – MKD, unless otherwise stated.

**2.2 Property, plant and equipment**

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Up to 2003 they have been revaluated at the year-end by applying official revaluation coefficients based on the general manufactured goods price index. Such coefficients have been applied to historical cost or later valuation and to accumulated depreciation. The effect of the revaluation of property, plant and equipment has been credited to the revaluation reserve.

Additions are recorded at cost. Cost includes the invoiced value and the expenditure that is directly attributable to the acquisition of the items.

Disposal of property, plant and equipment represents expense or technology obsolescence or other type of elimination of property, plant and equipment, including the accumulated provision. Gains and losses on disposal of property, plant and equipment are recognised in the income statement.

**Subsequent expenditure**

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Statement Of Comprehensive Income, during the financial period in which they are incurred.

**Depreciation**

Depreciation of property, plant and equipment is charged using rates not lower than those prescribed by the law and is designed to allocate the cost or valuation of property, plant and equipment on the straight-line basis over their estimated useful lives.

The depreciation of property, plant and equipment shall start after expiration of the month of the start-up in the year in which the utilization of the property, plant and equipment has started.

The following are the ranges of the estimated useful lives applied to items of property, plant and equipment:

	2014	2013
Buildings	40 years	40 years
Computers	4 years	4 years
Equipment	20 years	20 years
Other equipment and vehicles	5 - 10 years	5 - 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

**OKTA CRUDE OIL REFINERY A.D. – SKOPJE****Notes to the financial statements for the year ended 31 December 2014**

(all amounts are in MKD unless otherwise stated)

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within Other operating income/expense in the Statement Of Comprehensive Income.

Land is not depreciated.

**2.3 Intangible assets**

An intangible asset is measured initially at cost. Acquisition costs include acquisition price (including import duties and non-recoverable taxes, after deducting trade discounts and rebates) and all directly attributable costs which are incurred to prepare the asset for its intended use. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and less any impairment loss. All intangible assets with a finite useful life are amortised over their useful lives using the straight-line method.

Amortisation begins when the asset is available for use and ends when the asset is classified as held for sale or is derecognised. Amortisation is recognised in the income statement as incurred. Estimated useful life over which company's intangible assets are being amortised is 4 years.

**2.4. Inventories**

Inventories are stated at lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred bringing the inventories to their present location and condition. Cost of crude oil and cost of other raw materials, spare parts and tools and consumable stores, finished and trading goods is determined on a weighted average cost basis.

The cost of purchase of inventories comprises of the purchase price, import duties, other non-recoverable taxes and other costs, which can be directly attributed to the procurement of the inventories (e.g. transportation costs). Trade discounts, rebates and other similar items are deducted in determining the purchase cost of inventories.

The costs of conversion of inventories comprise those costs that are directly related to the units of production, such as direct labour and a systematic allocation of fixed and variable production overheads. The allocation of fixed production overheads to the cost of conversion is based on the normal capacity of the production facilities. Any unallocated fixed production overheads are recognised as an expense in the period in which they are incurred. Variable production overheads are allocated to each unit of production on the basis of the actual use of the production facilities.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

**2.5. Trade and other receivables**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is

**OKTA CRUDE OIL REFINERY A.D. – SKOPJE****Notes to the financial statements for the year ended 31 December 2014**

(all amounts are in MKD unless otherwise stated)

recognised in the Statement Of Comprehensive Income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

**2.6. Cash and cash equivalents**

Cash and cash equivalents comprise bank balances in local and foreign currency, cash in hand and deposits in banks with original maturity with less than 3 months.

**2.7. Share capital**

Ordinary and preference shares are classified as equity.

**2.8. Trade and other payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**2.9. Revenue**

Revenue comprises the fair value of the consideration received or receivable for the sale of products, retail goods and services net of value-added tax, excise, rebates and discounts. Sales of products and retail goods are recognised when the Company has delivered it to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the products or retail goods have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the Company has objective evidence that all criteria for acceptance have been satisfied.

Interest income is recognized in the Statement Of Comprehensive Income on a time proportion basis using the effective interest method. Dividend income is recognised when the right to receive payment is established.

**2.10. Dividend distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

**3. Financial risk management****3.1 Financial risk factors**

The Company does not apply hedge accounting for its financial instruments, all gains and losses are recognized in the income statement. The Company is exposed in particular to risks from movements in exchange rates and market prices that affect its assets and liabilities. Financial risk management aims to limit these market risks through ongoing operational and finance activities.

**OKTA CRUDE OIL REFINERY A.D. – SKOPJE****Notes to the financial statements for the year ended 31 December 2014**

(all amounts are in MKD unless otherwise stated)

**(i) Market risk**

Market risk is defined as the 'risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices' and includes interest rate risk, currency risk and other price risk. The majority of the revenues of the Company are generated in MKD and the remaining part mainly in USD.

Expenses of the Company arise are mainly connected to USD, partially in EUR and the remaining part in MKD. As a result, the Company objective is to minimize the level of its financial risk in MKD terms. For the presentation of market risks according IFRS 7 sensitivity analyses that show the effects of hypothetical changes of relevant risk variables on profit or loss and shareholders' equity are required. The periodic effects are determined by relating the hypothetical changes in the risk variables to the balance of financial instruments at the balance sheet date. The balance at the balance sheet date is representative for the year as a whole.

**(ii) Foreign exchange risk**

The Company's functional currency is the MKD. The foreign exchange risk exposure of the Company is related to holding foreign currency cash balances, and operating activities through revenues from and payments to international companies as well as capital expenditure contracted with vendors in foreign currency.

The currency giving rise to this risk is primarily USD. The Company manages the foreign exchange risk exposure by striving to lower the number of contracts in USD and to introduce contracts in EUR. The Company has very small cash reserves in USD currency. The Company uses cash deposits in MKD or cash deposits in MKD indexed to EUR, to economically manage its foreign currency risk as well as local currency risk in accordance with the available banks offers.

However, the purchase of oil derivatives from related parties is denominated in USD and connected to the price movement on the global movement, which is denominated in USD. Therefore there is associated inherent business risk with such transactions. The Company is in process of introducing the purchases of trading goods in EUR.

**(iii) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Change in the interest rates and interest margins may influence financing costs and returns on financial investments.

The Company has borrowings in amounts of MKD 975,437 thousands as of 31 December 2014 (2013: MKD 624,653 thousands), therefore 1 percentage point rise in market interest rate would have caused (ceteris paribus) the interest paid to increase with approximately MKD 9,754 thousands annually before tax (2013: MKD 6,246 thousands), while similar decrease would have caused the same decrease in interest paid.

**(iv) Price risk**

The Company's has two types of commodity price exposures: crude oil and oil products price levels. Both affect the value of inventory and sales margins which in turn affect the future cash flows of the business. In the case of price risk the level of exposure is determined by the amount of priced inventory carried at each Balance Sheet date. The Company policy is to report its inventory at the lower of historic cost and net realisable value and the results are affected by the reduction in the carrying value of the inventory.

The extent of the exposure relates directly to the level of stocks and rate of price decrease. Sales margin exposure relates to the absolute level of margin generated by the operation of the refineries mainly driven by the regulated prices for domestic market by the Government

**OKTA CRUDE OIL REFINERY A.D. – SKOPJE****Notes to the financial statements for the year ended 31 December 2014**

(all amounts are in MKD unless otherwise stated)

**4.1. Critical accounting estimates and assumptions**

The Company makes estimates and assumptions concerning the future. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The most critical estimates and assumptions are discussed below.

**(i) Useful lives of assets**

The determination of the useful lives of assets is based on historical experience with similar assets as well as any anticipated technological development and changes in broad economic or industry factors. In addition, as general guidance the Rule Book for depreciation rates prescribed by tax authorities is followed. The appropriateness of the estimated useful lives is reviewed annually, or whenever there is an indication of significant changes in the underlying assumptions.

Further, due to the significant weight of depreciable assets in Company's total assets, the impact of any changes in these assumptions could be material to Company's financial position, and results of operations. If depreciation cost is decreased/increased by 10%, this would result in change of annual depreciation expense of approximately MKD 23,139 thousand (2013: MKD 26,139 thousand).

**(ii) Potential impairment of property, plant and equipment and intangibles**

The Company (with support from the ultimate parent company) is assessing the impairment of identifiable property, plant, equipment and intangibles whenever there is a reason to believe that the carrying value may materially exceed the recoverable amount and where impairment in value is anticipated. The recoverable amounts are determined by value in use calculations, which use a broad range of estimates and factors affecting those.

Among others, the Company typically considers future revenues and expenses, macroeconomic indicators, technological obsolescence, discontinuance of operations and other changes in circumstances that may indicate impairment. If impairment is identified using the value in use calculations, the Company also determines the fair value less cost to sell (if determinable), to calculate the exact amount of impairment to be charged (if any). As this exercise is highly judgmental, the amount of potential impairment may be significantly different from that of the result of these calculations.

**(iii) Impairment of trade and other receivables**

The Company calculates impairment for doubtful accounts based on estimated losses resulting from the inability of its customers to make required payments. For customers in bankruptcy and liquidation, impairment is calculated on an individual basis, while for other customers it is estimated on a portfolio basis, for which the Company base its estimate on the aging of its account receivables balance and its historical write-off experience, customer credit-worthiness and changes in its customer payment terms. These factors are reviewed periodically, and changes are made to calculations when necessary. The estimates involve assumptions about future customer behaviour and the resulting future cash collections. If the financial condition of its customers were to deteriorate, actual write-offs of currently existing receivables may be higher than expected and may exceed the level of the impairment losses recognized so far.

**(iv) Provisions**

Provisions in general are highly judgmental, especially in the cases of legal disputes. The Company assesses the probability of an adverse event as a result of a past event to happen and if the probability is evaluated to be more than fifty percent, the Company fully provides for the



## OKTA CRUDE OIL REFINERY A.D. – SKOPJE

## Notes to the financial statements for the year ended 31 December 2014

(all amounts are in MKD unless otherwise stated)

total amount of the liability. The Company is rather prudent in these assessments, but due to the high level of uncertainty, in some cases the evaluation may not prove to be in line with the eventual outcome of the case.

## 5. Intangible Assets

2014	Software	Total
<b>Cost</b>		
Balance as at 1 January	8.456.786	8.456.786
Additions	19.054.098	19.054.098
Balance as at 31 December	<u>27.510.884</u>	<u>27.510.884</u>
<b>Accumulated Amortisation</b>		
Balance as at 1 January	6.403.132	6.403.132
Amortisation	1.020.750	1.020.750
Balance as at 31 December	<u>7.423.882</u>	<u>7.423.882</u>
<b>Net book value as at 31 December</b>	<u><u>20.087.002</u></u>	<u><u>20.087.002</u></u>
<b>2013</b>		
<b>Cost</b>		
Balance as at 1 January	8,145,170	8,145,170
Additions	311.076	311.076
Balance as at 31 December	<u>8.456.786</u>	<u>8.456.786</u>
<b>Accumulated Amortisation</b>		
Balance as at 1 January	5.017.832	5.017.832
Amortisation	1.385.300	1.385.300
Balance as at 31 December	<u>6.403.132</u>	<u>6.403.132</u>
<b>Net book value as at 31 December</b>	<u><u>2.053.654</u></u>	<u><u>2.053.654</u></u>

## OKTA CRUDE OIL REFINERY A.D. – SKOPJE

## Notes to the financial statements for the year ended 31 December 2014

(all amounts are in MKD unless otherwise stated)

## 6. Property, plant and Equipment

	Land	Buildings	Machinery and equipment	Construction in progress	Total
<b>As at 31 December 2013</b>					
Cost	144.282.744	3.115.536.439	6.519.989.065	17.009.594	9.796.817.842
Accumulated depreciation	-	(2.834.768.603)	(4.405.462.079)	-	(7.232.313.559)
<b>Net book value</b>	<b>144.282.744</b>	<b>288.684.959</b>	<b>2.114.526.986</b>	<b>17.009.594</b>	<b>2.564.504.283</b>
<b>Year ended 31 December 2014</b>					
Opening net book value	144.282.744	288.684.959	2.114.526.986	17.009.594	2.564.504.283
Additions	-	-	-	118.624.365	113.624.365
Transfer from construction in progress	-	(11.758.763)	16.134.695	(43.099.761)	(38.723.829)
Depreciation	-	(22.022.057)	(198.959.240)	-	(233.249.400)
<b>Closing net book value</b>	<b>144.282.744</b>	<b>254.904.139</b>	<b>1.931.702.441</b>	<b>92.534.198</b>	<b>2.423.423.522</b>
<b>As at 31 December 2014</b>					
Cost	144.282.744	3.111.694.799	6.536.178.953	92.534.198	9.655.737.111
Accumulated depreciation	-	(2.856.790.660)	(4.604.476.512)	-	(7.232.313.559)
<b>Net book value</b>	<b>144.282.744</b>	<b>254.904.139</b>	<b>1.931.702.441</b>	<b>92.534.198</b>	<b>2.423.423.522</b>

## 7. Trade receivables

	2014	2013
Trade receivables domestic	1.365.473.530	1.932.693.896
Trade receivables foreign	304.168.700	381.003.692
Provision for impairment of trade receivables	(63.929.783)	(80.881.401)
<b>Total</b>	<b>1.605.712.447</b>	<b>2.232.816.187</b>

## OKTA CRUDE OIL REFINERY A.D. – SKOPJE

## Notes to the financial statements for the year ended 31 December 2014

(all amounts are in MKD unless otherwise stated)

## 8. Cash and cash equivalents

	2014	2013
Bank account in in domestic currency	1.503.352.317	153.990.380
Bank account in foreign currencies	32.918.651	37.252.154
Cash on hand - in domestic currency	<b>86.020</b>	49.324
Cash on hand – foreign currencies	<b>22.837</b>	103.416
Cash equivalent	3,267.992	151.696.910
<b>Total</b>	<b>1.539.647.817</b>	<b>343.092.184</b>

## 9. Trade payables

	2014	2013
Domestic trade payables	123.828.101	82.725.438
Foreign trade payables	1.410.629.813	1.460.166.273
Payables for non-invoiced goods	1.058.906	1.317.490
<b>Вкупно:</b>	<b>1.535.516.820</b>	<b>1.544.209.201</b>

## 10. Share Capital

The total authorised number of ordinary shares is 846,360 shares value of EUR 51.12 per share (2013: 824,799 ordinary shares with EUR 51.12 par value of 51.12 and 21,561 preference shares with par value of EUR 51.12 per share ). All issued shares are fully paid.

During 2013 all preference shares were converted to ordinary shares.

For the year 2013 there was change in the ownership structure of the Company and the shareholders structure as at 31 December 2013 was as follows:

	Number of ordinary shares	Total shares	% of total share capital
EL.P.ET Balkaniki S.A.	689,875	689,875	81.51 %
DPTU Pucko- Petrol Uvoz- Izvoz			
Doo- Makedonski Brod	91,965	91,965	10.87 %
Other 1)	64,520	64,520	7.62 %
	<b>846,360</b>	<b>846,360</b>	<b>100 %</b>

1) Shareholders which individually hold less than 0.4% in share capital.

## 11. Sales

	2014	2013
Sales on domestic market	16.701.732.775	19.387.896.396
Sales on foreign market	5.135.427.716	6.610.034.319
	<b>21.837.160.492</b>	<b>36.209.040.960</b>