

О К Т А Рафинерија на нафта
Акционерско друштво
бр. 01-1094/18
19. 03. 2018 год.
Скопје 1

OKTA AD - SKOPJE

Financial Statements

For the year ended 31st December 2017

With Report of the Auditors Thereon

Annual Report of OKTA AD Skopje for the year ended 31st of December 2017

Key achievements

OKTA achieved a high profitability in 2017, mainly driven by the significant domestic sales increase, coupled with cost optimizations. Export volumes, registered a decline compared to last year due to the competitive imports from Albania and Serbia. The company significantly improved its cash position and managed to repay all its loans. It also distributed dividend for a second consecutive year in its history, in amount of MKD 92 million.

The main projects in 2017 were:

- Fuel Storage and Loading Installation upgrades;
- Organizational restructuring;
- Security improvements;
- Management Information System (SAP) upgrades;
- Solving legal cases;
- Improvements in the company's public image;
- Environmental protection.

OKTA initiated also a number of Social Responsibility Activities:

- Successful launch of a new CSR campaign for traffic safety;
- OKTA in co-operation with Hellenic Petroleum granted two scholarships to local students for postgraduate studies in Greece;
- Granting of postgraduate scholarships to 10 students for the State University in Skopje;
- Continuous collaboration and support of the Municipality of Ilinden by donating books and planting trees by OKTA employees;
- Support of youth National Basketball Team;
- Extensive Internship Program;
- Support of major prominent cultural and music festivals;
- Involvement of OKTA's employees in CSR activities – Blood donation to the Red Cross and "World Food Day" campaign;
- Support of humanitarian race for persons with rare diseases;
- Visit of EKO Serbia's summer camp by OKTA employees' kids.

Company operations and market environment

The Company once again has proven to be one of the cornerstones of economy by providing uninterrupted supply of fuel for all sectors, remaining the main guarantor of the fuel supply of the country in 2017. This was demonstrated by successfully overcoming, on several occasions, some extreme situations related to the bad weather conditions and border blockage, faced in the first months of 2017.

Adjusted 2017 EBITDA stands at MKD 556 million, being lower than the same period last year, only due to a one-off profit from sales to Directorate for Compulsory Stock Reserves of Oil and Oil Products, which boosted last year's adjusted EBITDA. Excluding this one-off effect, adjusted EBITDA for 2017 is

higher than in 2016. Net Profit in 2017 amounted to MKD 203 million and was lower than in 2016 (MKD 331 million), due to the above mentioned impact from extraordinary sales, also due to the different effect from the movement of international fuel prices. Which triggered an inventory impact in 2016 in amount of MKD 124 million, as a result of the rising trend of oil prices (vs an effect of MKD 32 million in 2017).

Company Outlook for 2018

OKTA's strategic plan for 2018 focuses on maintaining its domestic market share, maximizing its presence in the export markets and continuing its cost and operational improvements. The company will revisit its further opportunities both domestically and within the region, if the pipeline is re-opened in 2018.

The Company's priorities in 2018 are:

- Further rationalization of the company's organization;
- Strengthening of co-operation with key customers;
- Leverage of the storage and loading installation capacities;
- Explore opportunities to rebrand privately owned stations;
- Improve Competitiveness and Growth;
- Initiating projects for alternative sources of energy;
- Continuous training and creating of new opportunities for the company's employees;
- Further improvement in HSE compliance management;
- Further enhancements of security and safety procedures;
- Improved profitability and cash flow;
- Successful management of legal cases.

However, it should be acknowledged that the above mentioned targets may be affected by any adverse factors on the world markets and within the country's macro environment, including the re-opening of the pipeline and the introduction of the new energy law. OKTA's management monitors closely the current volatile local, regional and European environment and reacts accordingly with the appropriate measures.

Other related information

During 2017 OKTA:

- Invested a total of MKD 85 million - MKD 56 million was directed into installations infrastructure, MKD 4 million into IT and ERP related projects, MKD 24 million into security, safety and buildings related projects, and MKD 1 million into Retail Network related projects;
- Had no significant activities in the field of research and development;
- Dividend distribution is recognized as a liability in the Company's financial statements in the period in which the dividends are approved of by the Company's shareholders. During 2017 the Company performed dividend payments. There are no other declared dividends.
- Entered into transactions with related parties, as presented in Note 26 of the Financial Statements for the year ended 31 December 2017;
- Did not have any long term debt, therefore applied no policy that links long term debt and share capital;

- Followed its risk management policy as depicted in Note 3 of the yearly Financial Statements and faced no significant issues.
- OKTA paid to the executive Board members the amount of MKD 11 million in the form of gross salaries and other benefits in amount of MKD 2 million. It also paid the non-executive Board members the total amount of MKD 2 million as compensation approved of by the Company's shareholders. For confidentiality reasons the numbers for each member are not disclosed here but are available to every shareholder upon request.

Ioannis Geroulanos

Chief Executive Officer



The stamp is circular and contains the following text: "OKTA" in the center, "GRUPA" below it, and "POSREDOVANJE" at the bottom. The outer ring of the stamp contains the text "POSREDOVANJE ZA NEKRETNOST" at the top and "POSREDOVANJE ZA NEKRETNOST" at the bottom.

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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 AD Skopje ("the Company") which comprise the Company's statement of financial position as at 31 December 2017 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and 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 accepted in 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.

Auditors' 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 on Auditing accepted and published in the Official Gazette no. 79 dated 11 June 2010 of Republic of Macedonia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 qualified 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 AD Skopje) and the Government of Republic of Macedonia, the Company has recognized receivables in the period from 2000 to 2004 in amount of MKD 769,497 thousands relating to the period prior to acquisition. We were unable to obtain sufficient appropriate audit evidence to assess whether the Company will be able to recover these receivables. The audit opinion of the predecessor auditor on the financial statements relating to the preceding financial year was

modified in respect of this matter as well. In addition, Company has reported trade payables relating to the period prior to acquisition in amount of MKD 161,975 thousand (31 December 2016 - MKD 184.258 thousand) with no movement since 2005. We were unable to obtain sufficient appropriate audit evidence to assess whether the Company is still obliged to settle this amount. Consequently, we were unable to determine whether any adjustments to the stated amounts as at 31 December 2017 and 31 December 2016 were necessary.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2017 and its financial performance and its cash flows for the year then ended in accordance with accounting standards accepted in Republic of Macedonia.

Other matter

Financial statements of the Company for the year ended 31 December 2016 were audited by another auditor who expressed a qualified opinion on those statements on 8 March 2017 due to the scope limitation arising from the fact that no sufficient appropriate evidence was provided on whether the receivables in amount of MKD 769.497 thousand were recoverable.

Report on Other Legal and Regulatory Matters

Management is also responsible for preparation of the annual report in accordance with article 384 of the Macedonian Company Law. Our responsibility in accordance with the Audit Law is to report whether the annual report is consistent with the annual account and audited financial statements of the Company for the year ended 31 December 2017. Our work regarding the annual report is performed in accordance with ISA 720 accepted and published in the Official Gazette no. 79 dated 11 June 2010 of Republic of Macedonia and limited to assessing whether the historical financial information of the annual report is consistent with the annual account and audited financial statements of the Company.

The annual report is consistent, in all material respects, with the annual account and audited financial statements of the Company for the year ended 31 December 2017.


Vladimir Sokolovski
Administrator




Lidija Trpevska
Certified Auditor

Ernst & Young Certified Auditors DOO, Skopje
07 March 2018

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


Statement of comprehensive income

	Note	Year ended 31 st December	
		2017	2016
Sales	5	23,099,902	19,032,274
Cost of goods sold	6	(21,933,811)	(17,738,203)
Gross profit		1,166,091	1,294,071
Operations and logistics expenses	7	(405,978)	(371,190)
Administrative expenses	8	(275,108)	(274,677)
Sales and distribution expenses	9	(211,746)	(208,984)
Other operating income	10	9,593	15,922
Other operating expenses	11	(53,993)	(32,075)
Operating profit		228,859	423,067
Finance income	12	59,268	77,781
Finance costs	12	(53,262)	(126,712)
Finance income/(costs) – net		6,006	(48,931)
Profit before income tax		234,865	374,136
Income tax expense	13	(31,625)	(42,954)
Profit for the year		203,240	331,182
Other comprehensive income			
Change in employee benefits obligations		227	297
Change in value of available-for-sale financial assets		1,726	9,732
Total other comprehensive profit		1,953	10,029
Total comprehensive profit for the year		205,193	341,211
Earnings per share information:			
Basic and diluted profit per share	14	0.24	0.39


Statement of financial position

	Note	As at 31 st December	
		2017	2016
ASSETS			
Non-current assets			
Intangible assets	15	23,852	30,087
Property, plant and equipment	16	2,141,964	2,289,808
Available-for-sale financial assets	17	23,310	21,584
Total non-current assets		2,189,126	2,341,479
Current assets			
Inventories	18	492,837	546,835
Trade receivables	19	787,052	1,920,920
Other receivables	19	883,343	1,056,476
Deposits in banks		-	60,000
Cash and cash equivalents	20	1,462,335	666,168
Total current assets		3,625,567	4,250,399
TOTAL ASSETS		5,814,693	6,591,878
EQUITY AND LIABILITIES			
Equity			
Share capital		2,472,820	2,472,820
Statutory reserves		494,718	494,718
Revaluation and other reserves		414,852	412,899
Retained earnings		1,198,516	1,087,530
Total equity	21	4,580,906	4,467,967
Non-current liabilities			
Provision for employee benefit obligations	22	13,680	14,771
Total non-current liabilities		13,680	14,771
Current liabilities			
Trade payables	23	1,056,571	1,252,502
Other current liabilities	23	163,110	179,761
Loans and borrowings	24	-	640,200
Current income tax payable		426	36,677
Total current liabilities		1,220,107	2,109,140
TOTAL LIABILITIES AND EQUITY		5,814,693	6,591,878

The financial statements of OKTA AD – Skopje were authorised for issue by the Management on 19th February 2018 and will be subject of approval by the Board of Directors on 22nd February 2018. These financial statements are subject to approval from Company's Shareholders Assembly, as well.
Signed on behalf of the Management of OKTA AD - Skopje:


Ioannis Geroulanos
Chief Executive Officer


Andreas Triantopoulos
Deputy Chief Executive Officer


Bozhidar Pavlov
Deputy Finance Director

Notes on pages 7 to 40 are integral part of these financial statements

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

Chief Executive Officer
Statement of changes in equity

Deputy Chief Executive Officer

Deputy Finance Director

	Capital	Statutory reserves	Revaluation and other reserves	Retained Earnings	Total
Balance at 1st January 2016	2,472,820	494,718	402,870	818,132	4,188,540
Net profit for 2016	-	-	-	331,182	331,182
Comprehensive income	-	-	10,029	-	10,029
Total comprehensive income	2,472,820	494,718	412,899	1,149,314	4,529,751
Dividend declared	-	-	-	(61,784)	(61,784)
Balance at 31st December 2016	2,472,820	494,718	412,899	1,087,530	4,467,967
Net profit for 2017	-	-	-	203,240	203,240
Comprehensive income	-	-	1,953	-	1,953
Total comprehensive income	2,472,820	494,718	414,852	1,290,770	4,673,160
Dividend declared	-	-	-	(92,254)	(92,254)
Balance at 31st December 2017	2,472,820	494,718	414,852	1,198,516	4,580,906

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

Statement of cash flows

	Year ended 31 st December	
	2017	2016
Operating activities		
Profit before tax	234,865	374,136
<i>Adjustments for:</i>		
Depreciation	238,457	227,534
Impairment charges	31,889	
Interest income	(7,222)	(12,340)
Interest expense and bank charges	33,336	63,995
Cash generated from operations before changes in working capital	531,325	653,325
Cash flow from operating activities		
Decrease/ (increase) in inventories	53,998	(249,605)
Decrease/ (increase) in receivables	1,307,001	(637,728)
(Decrease)/ increase in payables	(212,582)	(207,735)
Cash generated from operations	1,679,742	(441,743)
Interest and bank charges paid	(33,336)	(63,995)
Income taxes paid	(31,200)	-
Net cash generated from/(used in) operating activities	1,615,206	(505,738)
Cash flow from investing activities		
Acquisition of property, plant and equipment	(159,287)	(207,063)
Sales of property, plant and equipment	2,292	3,792
Interest received	7,222	12,340
Proceeds from deposit	60,000	
Deposits in banks		(60,000)
Net cash used in investing activities	(89,773)	(250,931)
Cash flow from financing activities		
(Repayment)of loans	(640,200)	(335,300)
Paid dividends	(91,703)	(61,265)
Received dividends	2,637	3,045
Net cash used in financing activities	(729,266)	(393,520)
Net increase/ (decrease) in cash and cash equivalents	796,167	(1,150,189)
Cash and cash equivalents at 1 st January	666,168	1,816,357
Cash and cash equivalents at 31st December (note 20)	1,462,335	666,168

1. General information

OKTA AD - 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 controlled by Hellenic Petroleum S.A. The parent company is incorporated in Greece.

The Company's main activities are trade, import, production and blending of oil derivatives. Major oil derivatives are Gasoline, 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.

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

As of 31st December 2017, the Company had 383 employees (2016: 420 employees).

The address of the Company is as follows:

Street 1 no.25
Miladinovci linden
1000 Skopje
Macedonia

The financial statements of OKTA AD – Skopje were authorised for issue by the Management on 19th February 2018 and will be subject of approval by the Board of Directors on 22nd February 2018. These financial statements are subject to approval from Company's Shareholders Assembly, as well.

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, 187/2013, 38/2014, 41/2014, 138/2014, 88/2016, 192/2016, 6/2017, 30/2017 and 61/2017) and the Rule Book for Accounting (published in Official Gazette No. 159/2009, No. 164/2010 and No. 107/2011), 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.

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

2. Summary of significant accounting policies (continued)

2.1. Basis of preparation (continued)

IFRS 9, IFRS 10, IFRS 11, IFRS 12, IFRS 13, IFRS 15, IFRS 16, 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

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).

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)".

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 2017 and 31st December 2016 were as follows:

Exchange rate:	31 st December 2017	31 st December 2016
	MKD	MKD
EUR	61.49	61.48
USD	51.27	58.33

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.

(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:

	2017	2016
Buildings	40 years	40 years
Computers	4 years	4 years
Equipment	Up to 20 years	Up to 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.

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.

2.5. 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.

2. Summary of significant accounting policies (continued)

2.5. Available-for-sale financial assets (continued)

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.

2.7. 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.

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

2. Summary of significant accounting policies (continued)

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.

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. Summary of significant accounting policies (continued)

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

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 country where the company operates 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.

Deferred income tax

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. Summary of significant accounting policies (continued)

2.13. Employees Benefits

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.

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.

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. Summary of significant accounting policies (continued)

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.

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.

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 EUR and small amount of USD.

Expenses of the Company that arise are mainly connected to EUR, partially in USD 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 and limited transactions in USD. 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.

The purchase of oil products from related parties are denominated in EUR, except one product which is denominated in USD but all products are connected to the price movement on the global movement in USD. Therefore there is associated inherent business risk with such transactions.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

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 31st December 2017, the Company has no time deposits (2016: MKD 60,000 thousands).

The Company as at 31 December 2017 does not have borrowings (2016: MKD 640,200 thousands), therefore 1 percentage point rise in market interest rate would have caused (ceteris paribus) the interest paid to increase with approximately MKD 6,402 thousands annually before tax for 2016, while similar decrease would have caused the same decrease in interest paid.

Price risk

The Company's has commodity price exposures of oil products price levels. It affects 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.

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 acceptable credit exposure.

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

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

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.

The following table represents Company's exposure to credit risk as at 31st December 2017 and 31st December 2016:

	2017	2016
Cash and cash equivalents	1,462,335	666,100
Deposit in banks	-	60,000
Trade receivables	787,052	1,920,920
Other receivables	883,343	1,056,476
	<u>3,132,730</u>	<u>3,703,496</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:

	31st December 2017		31st December 2016	
	Trade receivables - domestic	Trade receivables - foreign	Trade receivables - domestic	Trade receivables - foreign
Neither past due nor impaired	646,507	135,989	1,703,362	175,022
Past due but not impaired	-	4,556	21,975	20,561
Impaired	45,520	18,246	48,273	18,617
Gross	692,027	158,791	1,773,610	214,200
Less: allowance for impairment	(45,520)	(18,246)	(48,273)	(18,617)
Net	646,507	140,545	1,725,337	195,583

Trade receivables of MKD 4,556 thousands (2016: MKD 42,536 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.

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

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.

3. Financial risk management (continued)**3.1 Financial risk factors (continued)****f) Liquidity risk (continued)**

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.

	Less than 3 month	Between 3 months and 1 year	Over 1 year
At 31st December 2017			
Trade payables	1,056,571	-	-
Other current liabilities	163,110	-	-
Loans from the banks	-	-	-
	1,219,681	-	-
At 31st December 2016			
Trade payables	1,252,502	-	-
Other current liabilities	179,761	-	-
Loans from the banks	640,200	-	-
	2,072,463	-	-

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.

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

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 31st December 2017:

	Carrying amount	Fair Value
Cash and cash equivalents	1,462,335	1,462,335
Trade receivables	787,052	787,052
Other current financial assets	883,343	883,343
	3,132,730	3,132,730

The table below shows the categorisation of financial assets as at 31st December 2016:

	Carrying amount	Fair Value
Cash and cash equivalents	666,168	666,168
Deposit in banks	60,000	60,000
Trade receivables	1,920,920	1,920,920
Other current financial assets	1,056,476	1,056,476
	3,703,564	3,703,564

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.

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 23,846 thousand (2016: MKD 22,753 thousand)

4.1. Critical accounting estimates and assumptions (continued)**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.

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.

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.

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

5. Sales	2017	2016
Sales on domestic market	20,420,269	15,481,542
Sales on foreign market	2,679,633	3,550,732
	<u>23,099,902</u>	<u>19,032,274</u>

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

6. Cost of goods sold	2017	2016
Cost of traded goods	21,923,626	17,721,321
Manipulation and shrinkage expenses	10,185	16,882
	<u>21,933,811</u>	<u>17,738,203</u>

7. Operations and logistics expenses	2017	2016
Depreciation and amortization	168,921	169,911
Gross salaries and wages	123,409	106,115
Electricity	20,529	22,341
Other fixed cost	20,148	21,533
Redundancy expenses	18,358	-
Insurance expenses	16,106	18,420
Miscellaneous expenses	15,939	7,647
Personnel related expenses	13,489	12,501
Maintenance expenses	7,831	6,577
Own consumption of fuels	950	5,790
Telecommunication expenses	189	280
Office supplies expenses	109	75
	<u>405,978</u>	<u>371,190</u>

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

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

8. Administrative expenses

	2017	2016
Gross salaries and wages	105,478	123,533
Miscellaneous expenses	51,692	42,879
Depreciation and amortization	44,259	42,019
Other fixed cost	19,949	12,725
Redundancy expenses	17,409	-
Personnel related expenses	11,166	14,537
Public relation and advertising expenses	8,705	6,691
Rental expenses	7,663	7,732
Insurance expenses	4,576	5,178
Business travel	1,553	817
Maintenance expenses	1,377	16,431
Telecommunication expenses	744	1,572
Office supplies expenses	537	563
	275,108	274,677

The miscellaneous expenses include membership fees, management fees, and expenses for audit and other third party fees and services. Other fixed costs include expenses for utility services and consumption of own products.

9. Sales and distribution expenses

	2017	2016
Gross salaries and wages	105,625	107,099
Depreciation and amortization	25,276	15,604
Miscellaneous expenses	23,940	22,684
Personnel related expenses	11,137	11,965
Other variable expenses	9,979	11,839
Other fixed cost	9,646	6,104
Redundancy expenses	8,726	-
Maintenance expenses	4,099	10,581
Rental expenses	3,306	4,743
Public relation and advertising expenses	2,688	3,678
Insurance expenses	2,665	964
Dues and subscriptions	2,325	2,743
Transportation expenses	1,234	9,907
Office supplies expenses	653	527
Telecommunication expenses	447	546
	211,746	208,984

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

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

10. Other operating income

	2017	2016
Income from prior years	6,605	12,653
Dividend income	2,639	3,045
Income from sale of fixed assets	349	128
Collected written off receivables	-	96
	9,593	15,922

11. Other operating expenses

	2017	2016
Impairment of inventories	31,038	-
Disposed materials from warehouse	12,604	-
Waste treatment expenses and scrapping of goods	9,041	24,962
Net book value of disposed fixed assets	450	3,324
Impairment of bad and doubtful debts	860	2,117
Additionally determined expenses	-	1,672
	53,993	32,075

12. Finance income and costs

	2017	2016
Foreign exchange gain	52,046	65,441
Interest income	7,222	12,340
Finance income	59,268	77,781
Foreign exchange loss	(19,926)	(62,717)
Interest expenses	(21,361)	(49,607)
Bank charges	(11,975)	(14,388)
Finance costs	(53,262)	(126,712)
Net finance income / (costs)	6,006	(48,931)

13. Income tax expense

Recognized in the statement of comprehensive income:

	2017	2016
<i>Current tax expense</i>		
Current year	(31,625)	(36,677)
<i>Deferred tax expense</i>		
(Decrease)/ increase in deferred tax assets	-	(6,277)
Total income tax in the statement of comprehensive income	(31,625)	(42,954)

13. Income tax expense (continued)

	2017	2016
Profit before tax	234,865	374,136
Expenses non tax deductible according to local regulations	84,029	58,544
Taxed income		
Collected receivables taxed in previous years	-	(92)
Dividends received	(2,639)	(3,045)
Tax loss carries forward	-	(62,774)
	316,255	366,769
Tax charge	31,625	36,677

As of 1 August 2014, new profit tax law came into force being applicable from 1 January 2014 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%.

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.

	2017	2016
Profit for the year	203,240	331,182
Profit attributable to ordinary equity holders	203,240	331,182
Weighted average number of ordinary shares in issue:	846,360	846,360

Weighted average shares of the Company during 2017 was 846,360 (2016: 846,360). OKTA has no preference shares.

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

15. Intangible Assets

2017	Software and other rights	Total
Cost		
Balance as at 1 January 2017	56,377	56,377
Additions	4,792	4,792
Software under construction	1,106	1,106
Balance as at 31 December 2017	62,275	62,275
Accumulated Amortisation		
Balance as at 1 January 2017	26,290	26,290
Amortisation	12,133	12,133
Balance as at 31 December 2017	38,423	38,423
Net book value as at 31 December 2017	23,852	23,852
2016		
Cost		
Balance as at 1 January 2016	48,505	48,505
Additions	7,871	7,871
Balance as at 31 December 2016	56,376	56,376
Accumulated Amortisation		
Balance as at 1 January 2016	16,138	16,138
Amortisation	10,151	10,151
Balance as at 31 December	26,289	26,289
Net book value as at 31 December 2016	30,087	30,087

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

16. Property Plant and Equipment

	Land	Buildings	Machinery and equipment	Construction in progress	Total
At 1 January 2017					
Cost	247,319	3,162,032	6,651,500	99,861	10,160,712
Accumulated depreciation	-	(2,905,785)	(4,965,119)	-	(7,870,904)
Net book amount	247,319	256,247	1,686,381	99,861	2,289,808
Year ended 31 December 2017					
Opening net book amount	247,319	256,247	1,686,381	99,861	2,289,808
Additions	-	-	-	83,663	83,663
Transfer from construction in progress	-	28,283	47,448	(75,731)	-
Disposals (net book value)	-	-	(5,184)	-	(5,184)
Depreciation charge	-	(31,256)	(195,067)	-	(226,323)
Closing net book amount	247,319	253,274	1,533,578	107,793	2,141,964
At 31 December 2017					
Cost	247,319	3,190,314	6,665,735	107,793	10,211,161
Accumulated depreciation	-	(2,937,040)	(5,132,157)	-	(8,069,197)
Net book amount	247,319	253,274	1,533,578	107,793	2,141,964
Year ended 31 December 2016					
Opening net book amount	144,283	220,750	1,752,700	193,994	2,311,727
Additions	-	-	-	205,141	205,141
Transfer from construction in progress	103,036	69,675	122,898	(295,609)	-
Disposals (net book value)	-	(2,975)	(3,037)	(3,665)	(9,677)
Depreciation charge	-	(31,203)	(186,180)	-	(217,383)
Closing net book amount	247,319	256,247	1,686,381	99,861	2,289,808
At 31 December 2016					
Cost	247,319	3,174,401	6,651,500	99,861	10,173,081
Accumulated depreciation	-	(2,918,154)	(4,965,119)	-	(7,883,273)
Net book amount	247,319	256,247	1,686,381	99,861	2,289,808

Out of total depreciation and amortisation expense (of the tangible and intangible assets) amount of MKD 168,921 thousands (2016: MKD 169,911 thousands) has been charged in Operations and logistic expenses, MKD 44,259 thousands (2016: MKD 42,019 thousands) in administrative costs and MKD 25,276 thousands (2016: MKD 15,604 thousands) in selling and distribution expenses.

During the past year, the Company has purchased the land which was in state ownership in the previous years. The administrative procedure is in progress.

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

16. Property Plant and Equipment (continued)

Based on the change in the nature of entity's operations, management reassessed the valuation model of property, plant and equipment as at 31st December 2017. The recoverable amounts were assessed on basis on value in use treating the operational activities of trade and refining as one Cash generating unit. In determining value in use, the cash flows were discounted at a rate of 5.92% (6.47% for 2016) on a post-tax basis. The valuation model has not suggested any impairment and hence no impairments have been recorded as of 31st December 2017 or as at 31st December 2016. 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 5.92% WACC.

17. Available-for-sale financial assets

	2017	2016
At 1 st January	21,584	11,852
Additions	-	-
Disposals	-	-
Net gains/ (losses) transfer to revaluation reserves	1,726	9,732
At 31st December	23,310	21,584

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

	2017	2016
Investments in companies	5,693	5,651
Investments in banks	17,617	15,933
	23,310	21,584

18. Inventories

	2017	2016
Trade goods	466,051	472,315
Spare parts and tools and consumables stores	26,786	74,520
	492,837	546,835

19. Trade and other receivables

Carrying amount of trade receivables is presented as follows:

	2017	2016
Trade receivables domestic	692,027	1,773,610
Trade receivables foreign	158,791	214,200
Trade receivables – gross	850,818	1,987,810
Provision for impairment of trade receivables	(63,766)	(66,890)
	787,052	1,920,920

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

19. Trade and other receivables (continued)

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

	2017	2016
Trade receivables - domestic	692,027	1,773,610
Trade receivables - foreign	158,700	212,837
Foreign receivables from related parties (note 27)	91	1,363
Less: Provision for impairment	(63,766)	(66,890)
Trade receivables – net	787,052	1,920,920
Receivable from Escrow account	769,497	769,497
Prepaid expenses	61,136	60,801
Advance payments	3,879	2,092
Receivables from employees	-	133
Other short term receivables	3,452	3,642
VAT receivables	45,379	220,311
Other receivables	883,343	1,056,476
	1,670,395	2,977,396

Receivables from related parties represent receivables from EL.P.ET. Balkaniki S.A.Greece and EKO Bulgaria (Note 27).

Following the provisions of the Share Purchase and Concession Agreement dated 8th May 1999 concluded between EL.P.ET Balkaniki S.A. (the parent company of OKTA 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:

	2017	2016
Not past due	782,496	1,878,384
less than 30 days	2,149	13,471
30 to 90 days	23	15,851
90 days to 1 year	2,384	13,214
Over 1 year	63,766	66,890
Total gross receivables	850,818	1,987,810

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

	2017	2016
At 1 st January	66,890	64,143
Provision for receivables impairment	404	1,271
Collected receivables	-	(109)
Written off receivable	(991)	(1,198)
FX difference	(2,537)	2,783
At 31st December	63,766	66,890

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

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:

	2017	2016
Over 1 year	63,766	66,890
Over 180 days	-	-
	<u>63,766</u>	<u>66,890</u>

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

	2017	2016
MKD	673,789	1,773,610
EUR	148,919	139,486
USD	28,110	74,714
	<u>850,818</u>	<u>1,987,810</u>

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

	2017	2016
MKD	883,343	1,056,476
	<u>883,343</u>	<u>1,056,476</u>

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

20. Cash and cash equivalents

	2017	2016
Bank accounts in domestic currency	747,434	305,192
Bank accounts in foreign currency	30,281	17,323
Cash on hand	35	68
Other cash and cash equivalents	684,585	343,585
	<u>1,462,335</u>	<u>666,168</u>

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

	2017	2016
MKD	1,350,875	648,845
EUR	98,078	14,424
USD	13,382	2,899
	<u>1,462,335</u>	<u>666,168</u>

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

21. Capital and reserves**a) Shares**

The total authorised number of ordinary shares is 846,360 shares value of EUR 51.12 per share (2016: 846,360 ordinary shares with EUR 51.12 par value). All issued shares are fully paid.

The shareholders structure as at 31 December 2017 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 %
	846,360	846,360	100 %

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

b) Dividends

Dividend payments during 2017 in amount of MKD 91,705 (2016: 61,265). There are no other declared dividends.

Declared and paid during the period ended 31 December 2017

Final dividend for 2016:

Declared:	92,255
Paid:	91,705

Dividends declared and paid for the year ended 31 December 2016 entirely relate to cash dividends on ordinary shares.

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

21. Capital and reserves (continued)

c) 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 1st 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 2017 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

	2017	2016
Retirement benefit obligations and jubilee awards	13,680	14,771
	<u>13,680</u>	<u>14,771</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 2017 and 2016.

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

22. Employee benefits obligations (continued)	2017	2016
Amounts recognised in Balance sheet		
Present value of obligations	13,680	14,771
Fair value of plan assets	-	-
Net Liability/ (Asset) in Balance Sheet	13,680	14,771
Amounts recognized in Profit and Loss		
Service cost	641	694
Net interest on the net defined benefit liability/ (asset)	663	612
Recognition of actuarial (gain)/Loss	-	-
Regular P&L charge	1,304	1,306
Settlement/ Curtailment/ Termination loss/ (gain)	47,099	3,902
Total P&L Charge	48,403	5,208
Reconciliation of benefit obligation		
Defined Benefit Obligation at start period	14,771	14,556
Service cost	641	694
Interest cost	663	612
Benefits paid directly by the Company	(2,401)	(4,650)
Settlement/ Curtailment/ Termination loss (gain)	-	3,902
Actuarial (gain)/loss- experience	6	(343)
Defined benefit obligation at end of period	13,680	14,771
Movements in Net Liability/ (Asset) in Balance Sheet		
Net Liability/ (Asset) in Balance Sheet at the beginning of the period	14,771	14,556
Benefits paid directly	(49,721)	(4,650)
Total expense recognised in the income statement	48,403	5,162
Total amount recognised in the Other comprehensive income	227	(297)
Net Liability/ (Asset) in Balance sheet	13,680	14,771
Assumptions		
Discount rate	3.8%	4.3%
Price inflation	2%	2%
Rate of compensation increase	4.5%	4.5%
Plan duration	13.56	11.87
Future working life	18.54	18.25

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

23. Trade and other payables

Carrying amount of trade payables is presented as follows:

	2017	2016
Domestic trade payables	516,014	435,202
Foreign trade payables	540,557	817,258
Payables for non-invoiced goods	-	42
	1,056,571	1,252,502

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

	2017	2016
Domestic trade payables	516,014	435,202
Foreign trade payables	9,557	1,880
Foreign payables from related parties	369,025	631,120
Foreign trade payables prior acquisition	161,975	184,258
Payables for non-invoiced goods	-	42
Trade payables	1,056,571	1,252,502
Advances received	26,702	44,255
Excise taxes payable	65,815	49,766
Salaries and wages	13,147	13,779
Personal income tax and contributions	6,407	6,706
Withholding tax	109	354
Provision for court cases	5,081	5,081
Accrued liabilities	44,790	59,301
Other	1,059	519
Other current liabilities	163,110	179,761
	1,219,681	1,432,263

Liabilities to related parties represent liabilities to Hellenic Petroleum S.A. Greece, and EKO Bulgaria (Note 27).

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

	2017	2016
MKD	516,014	435,244
USD	354,663	180,912
EUR	185,894	636,346
	1,056,571	1,252,502

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

	2017	2016
MKD	163,110	179,761
	163,110	179,761

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

24. Loans and borrowings

	2017	2016
Bank borrowings	-	640,200
	<u>-</u>	<u>640,200</u>

The borrowings are measured at amortised cost. Bank borrowings mature in 2017 and bear average interest rate of treasury bills +2 percentage points.

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

	Carrying amount		Fair value	
	2017	2016	2017	2016
Bank Borrowings	-	640,200	-	640,200
	<u>-</u>	<u>640,200</u>	<u>-</u>	<u>640,200</u>

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:

	2017	2016
MKD	-	640,200
	<u>-</u>	<u>640,200</u>

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

25. Expenses by nature

	2017	2016
Cost of traded goods	21,923,626	17,721,321
Gross salaries and wages	334,512	336,747
Depreciation and amortization	238,456	227,534
Miscellaneous expenses	91,571	73,210
Other fixed cost	49,743	40,362
Redundancy expenses	44,493	-
Personnel related expenses	35,792	39,003
Impairment of inventories	31,038	-
Insurance expenses	23,347	24,562
Electricity	20,529	22,341
Maintenance expenses	13,307	33,589
Disposed materials from warehouse	12,604	-
Public relation and advertising expenses	11,393	10,369
Rental expenses	10,969	12,475
Manipulation and shrinkage expenses	10,185	16,882
Other variable expenses	9,979	11,839
Waste treatment expenses and scrapping of goods	9,041	24,962
Dues and subscriptions	2,325	2,743
Business travel	1,553	817
Telecommunication expenses	1,380	2,398
Office supplies expenses	1,299	1,165
Transportation expenses	1,234	9,907
Own consumption of fuels	950	5,790
Impairment of bad and doubtful debts	860	2,117
Net book value of disposed fixed assets	450	3,324
Additionally determined expenses	-	1,672
	22,880,636	18,625,129

26. Employee related expenses

	2017	2016
Salaries and wages	207,789	205,609
Contributions and taxes	100,903	101,006
Other benefits	25,820	30,132
	334,512	336,747

	2017	2016
Average number of employees	404	419

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

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.

The following transactions were carried out with related parties, parent company, ultimate parent company (described above in the first paragraph of this Note) and other related parties which are members of Hellenic Petroleum Group of companies.

a) Sales of services

<i>Sales of services</i>	2017	2016
Vardax S.A.	881	689
Jugopetrol A.D.	928	3,126
EKO Bulgaria	1,256	1,513
	3,065	5,328

b) Purchases of goods and services

<i>Purchases of trading goods</i>	2017	2016
Hellenic Petroleum S.A.	20,998,192	16,956,502
HFL S.A.	-	481
	20,998,192	16,956,983

<i>Purchases of services</i>	2017	2016
Hellenic Petroleum S.A.	25,095	-
ELPE International consulting	4,992	6,652
Asprofos S.A.	115	766
EKO Serbia	-	3,775
HFL S.A.	5,816	5,008
EKO Bulgaria	345	599
	36,363	16,800

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

27. Related party transactions (continued)

<i>Receivables arising from sale of services</i>	2017	2016
Vardax S.A.	-	1,070
Jugopetrol A.D.	-	34
EKO Bulgaria	87	255
EL.P.ET Balkaniki S.A.	4	4
	91	1,363

c) Outstanding balances arising from purchase of goods/services

<i>Payables arising from purchase of raw materials and goods</i>	2017	2016
Hellenic Petroleum S.A.	368,457	627,405
	368,457	627,405

<i>Payables arising from purchase of services</i>	2017	2016
Asprofos S.A.	-	129
ELPE Consulting Greece	-	1,660
EKO Serbia	-	(40)
HFL S.A.	454	1,649
EKO Bulgaria	-	317
Hellenic Petroleum S.A.	114	-
	568	3,715

d) 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:

	2017	2016
Salaries	25,256	20,578
Taxes and contributions	10,090	9,298
Other benefits	4,919	5,836
	40,265	35,712

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 625,251 thousands as at 31 December 2017 (2016: MKD 675,343 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. (Note 23)

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 7, 8 and 9.

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

	2017	2016
No later than 1 year	11,744	9,827
Later than 1 year and no later than 5 years	15,372	13,105
Later than 5 years	-	-
	27,116	22,932

30. Events after the reporting period

There are no events after the reporting period that would have impact on the 2017 Statement of comprehensive income, Statement of financial position or Statement of cash flow.

Name of the Company: OKTA Crude Oil Refinery AD Skopje

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

Unique ID number: 4074009

Balance Sheet 01.01.2017 - 31.12.2017				
Position	AOP	Note No	Amount	
			Current year	Previous year
1	2	3	4	5
ASSETS: A. NON-FIXED ASSETS (002+009+020+021+031)	001		2,189,126,689	2,341,479,276
I. Intangible assets (003+004+005+006+007+008)	002	5	23,852,166	30,087,212
Expenditures for research and development	003			
Patents, license, concession and other rights.	004		22,745,564	30,087,212
Goodwill	005			
Advance payment for intangible assets	006			
Intangible assets in preparation	007		1,106,602	
Other intangible assets	008			
II. Tangible assets (010+013+014+015+016+017+018+019)	009	6	2,141,964,023	2,289,808,164
Immovable property (real estate) (011+012)	010		500,592,378	503,565,780
Land	011		247,318,807	247,318,807
Buildings	012		253,273,571	256,246,973
Plant and equipment	013		1,467,522,844	1,605,493,276
Transport assets	014		17,446,710	22,838,966
Tools, office inventor, assets for transport	015		48,568,957	58,009,268
Biological assets	016			
Advance payment for tangible	017			
Tangible assets in preparation	018		107,793,377	99,861,117
Other tangible assets in preparation	019		39,757	39,757
III. INVESTMENT IN IMMOVABLE PROPERTY	020			
IV. LONG-TERM FINANCIAL ASSETS (022+023+024+025+026+030)	021		23,310,500	21,583,900
Investment in branch offices	022			
Investment in associate entities and joint venture investments	023			
Receivables from long-term loans granted to related parties	024			
Receivables from long-term loans	025			
Investment in long-term securities (027+028+029)	026		23,310,500	21,583,900
Investment in securities held to maturity	027			
Investments in securities available for sale	028		23,310,500	21,583,900
Investments in securities at fair value through profit or loss	029			
Other long-term financial assets	030			
V. LONG-TERM RECEIVABLES (032+033+034)	031		0	0
Receivables from related parties	032			
Receivables from customers	033			
Other long-term receivables	034			
VI. DEFERRED TAX ASSETS	035			
B. CURRENT ASSETS (037+045+052+059)	036		3,564,430,590	4,189,597,027
I. Stocks (038+039+040+041+042+043)	037		492,836,762	546,835,004
Stocks of raw materials	038		8,809,017	27,562,290
Stocks of spare parts, small inventory, packaging and tyres	039		17,976,882	46,957,595
Stock of unfinished products and semi-products	040			
Stock of finished products	041			
Stock of commercial products	042		466,050,863	472,315,119
Stock of biological products	043			

II. ASSETS (OR GROUP FOR TRANSFER FOR SALES AND INTERRUPTED WORKS)	044			
III. SHORT-TERM RECEIVABLES (046+047+048+049+050+051)	045		1,609,259,400	2,916,594,327
Receivables from related parties	046	7	140,415	1,862,534
Trade accounts receivable	047	7	786,911,966	1,919,057,441
Advance payments	048		3,879,485	2,091,745
Receivables from the state upon taxes, social contribution, customs duties, excise and other duties towards the state	049		45,378,796	220,310,886
Receivables from the employees	050		0	133,203
Other short term receivables	051		772,948,738	773,138,518
IV. SHORT-TERM FINANCIAL ASSETS (053+056+057+058)	052		0	0
Investment in securities (054+055)	053		0	0
Investment in securities held to maturity	054			
Investments in securities at fair value through profit or loss	055			
Receivables from short-term loans granted to related parties	056			
Receivables from short-term loans	057			
Other short-term financial assets	058			
V. Cash and cash equivalents (060+061)	059	8	1,462,334,428	726,167,696
Cash	060		777,750,235	325,711,170
Cash equivalents	061		684,584,193	400,456,526
VI. PREPAYMENT OF EXPENSES FOR FUTURE PERIODS AND CALCULATED REVENUES	062		61,136,078	60,801,206
TOTAL ASSETS: ASSETS (001+035+036+044+062)	063		5,814,693,357	6,591,877,509
B. OUT-OF-BALANCE RECORDS - ASSETS	064		3,615,529,828	3,615,529,828
LIABILITIES: A. SHARE CAPITAL AND RESERVES (066+067-068-069+070+071+075-076+077-078)	065		4,580,906,481	4,467,966,493
I. SHARE CAPITAL	066	9	2,472,819,516	2,472,819,516
II. Share premiums	067			
III. Own shares (-)	068			
IV. Registered, not paid capital (-)	069			
V. Revaluation reserve and differences from evaluation of components of the other comprehensive profit	070		97,450,853	95,497,244
VI. RESERVES (072+073+074)	071		812,119,797	812,119,797
Statutory reserves	072		494,718,176	494,718,176
Companies reserves (according to the Incorporation Act)	073			
Other reserves	074		317,401,621	317,401,621
VII. ACCUMULATED PROFIT	075		995,276,696	756,348,065
VIII. TRANSFERRED LOSS (-)	076			
IX. PROFIT FOR THE CURRENT YEAR	077		203,239,619	331,181,871
X. LOSS FOR THE CURRENT YEAR	078		0	0
XI. SHARE CAPITAL OF THE OWNERS OF THE PARENT COMPANY	079			
XII. NON-CONTROLLABLE PARTICIPATION	080			
B. LIABILITIES (082+085+095)	081		1,183,916,736	2,059,528,448
I. LONG-TERM PROVISIONS FOR RISKS AND EXPENSES (083+084)	082		13,679,682	14,771,456
Provisions for pensions, severance payments and similar liabilities towards the employees	083		13,679,682	14,771,456
Other long-term provisions for risks and expenses	084			
II. LONG-TERM LIABILITIES (од 086 до 093)	085		0	0
Liabilities to related parties	086			
Trade payables	087			
Advance and deposit liabilities	088			
Liabilities upon loans and credits to related parties	089			
Liabilities upon loans and credits	090			
Liabilities upon securities	091			
Other financial liabilities	092			
Other long-term liabilities	093			
III. DEFERRED TAX LIABILITIES	094			

IV. SHORT-TERM LIABILITIES (од 096 до 108)	095		1,170,237,054	2,044,756,992
Liabilities to related parties	096	10	368,829,273	631,653,560
Trade payables	097	10	687,742,272	620,847,751
Advance and deposit liabilities	098		26,702,143	44,255,353
Liabilities for taxes and social contribution upon salaries	099		6,407,376	6,705,957
Liabilities towards the employees	100		13,267,372	13,778,974
Current tax liabilities	101		66,349,812	86,796,732
Short-term provisions for risks and expenses	102			
Liabilities upon loans and credits to related parties	103			
Liabilities upon loans and credits	104		0	640,200,000
Liabilities upon securities	105			
Liabilities upon participation in the profits	106		938,806	518,665
Other financial liabilities	107			
Other long-term liabilities	108			
V. DEFERRED PAYMENTS OF EXPENSES AND INCOME IN FUTURE PERIODS	109		49,870,140	64,382,568
VI. LIABILITIES FOR NON-FIXED ASSETS (OR GROUPS FOR TRANSFER) HELD FOR SALE OR INTERRUPTION OF WORK	110			
TOTAL LIABILITIES: SHARE CAPITAL, RESERVES AND LIABILITIES (065+081+094+109+110)	111		5,814,693,357	6,591,877,509
B. OUT-OF-BALANCE RECORDS - LIABILITIES	112		3,615,529,828	3,615,529,828

Name of the Company: OKTA Crude Oil Refinery AD Skopje

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

Unique ID number: 4074009

Income Statement 01.01.2017 - 31.12.2017					
Ordinal No.	Position	AOP	Note No.	Amount	
				Current year	Previous year
1	2	3	4	5	6
1.	I. OPERATIONAL INCOME (202+203+206)	201		23,115,248,296	19,052,968,799
2.	Safe income	202	11	23,106,572,416	19,032,273,732
3.	Other income	203		8,675,880	20,695,067
4.	Change of the value of stock of finished products and unfinished production				
4.a.	Stock of finished products and unfinished production at the beginning of the year	204			
4.b.	Stock of finished products and unfinished production at the end of the year	205		0	0
5.	Capitalisation of own production and services	206			
6.	II. OPERATIONAL EXPENSES (208+209+210+211+212+213+218+219+220+221+222)	207		22,899,282,028	18,639,517,643
7.	Raw materials expenses	208		60,514,996	56,209,215
8.	Purchase price of the goods sold	209		21,952,404,285	17,752,820,803
9.	Purchase price of materials, spare parts, small inventory, packaging and tyres	210			
10.	Services categorized as material expenses	211		66,599,949	79,451,096
11.	Other operational expenses	212		175,567,139	141,694,432
12.	Employees expenses (214+215+216+217)	213		370,289,329	373,474,340
12.a.	Net salaries	214		205,877,536	205,609,085
12.b.	Expenses for taxes and salaries contributions	215		19,137,780	18,786,348
12.n.	Mandatory social contribution expenses	216		81,536,685	82,279,823
12.r.	Other expenses for employees	217		63,737,328	66,799,084
13.	Depreciation of tangible and intangible assets	218		238,456,670	227,534,294
14.	Impairment of non-fixed assets	219			
15.	Impairment of fixed assets	220		31,899,218	2,116,916
16.	Provisions for risks and expenses	221		1,303,799	770,937
17.	Other operational expenses	222		2,246,643	5,445,610
18.	III. FINANCIAL INCOME (224+229+230+231+232+233)	223		60,185,862	73,008,119
19.	Financial income arising from related parties (225+226+227+228)	224		7,747,902	2,878,716
19.a.	Income from investment in related parties	225			
19.b.	Income from interests from related parties	226			
19.e.	Income from foreign exchange difference from related parties	227		7,747,902	2,878,716
19.r.	Other financial income from related parties	228			
20.	Income from investment in non-related parties	229		2,639,050	3,044,850
21.	Income from interests from non-related parties	230		3,328,650	4,521,502
22.	Income from foreign exchange difference from non-related parties	231		44,298,339	62,563,051
23.	Unrealised income from financial assets	232			
24.	Other financial income	233		2,171,921	
25.	IV. FINANCIAL EXPENSES (235+239+240+241+242+243)	234		41,286,854	112,323,456
26.	Financial expenses with related parties (236+237+238)	235		8,670,777	6,473,099
26.a.	Expenses for interest payable to related parties	236			
26.b.	Expense for foreign exchange differences payable to related parties	237		8,670,777	6,473,099
26.e.	Other financial expenses payable to related parties	238			
27.	Expenses for interest payable to non-related parties	239		21,360,856	49,606,736
28.	Expense for foreign exchange differences payable to non-related parties	240		11,255,221	56,243,621
29.	Unrealised loss from financial assets	241			
30.	Impairment of financial assets and investment	242			
31.	Other financial expenses	243			
32.	Participation in the profit of associate entities	244			
33.	Participation in the loss of associate entities	245			
34.	Profit from regular operations (201+223+244)-(204-205+207+234+245)	246		234,865,276	374,135,819
35.	Loss from regular operations (204-205+207+234+245)-(201+223+244)	247			

36.	Net profit from interrupted work	248		
37.	Net loss from interrupted work	249		
38.	Profit before taxation (246+248) млн (246-249)	250	234,865,276	374,135,819
39.	Loss before taxation (247+249) млн (247-248)	251	0	0
40.	Corporate income tax	252	31,625,657	42,953,948
41.	Deferred tax assets	253		
42.	Deferred tax liabilities	254		
43.	NET PROFIT FOR THE CURRENT YEAR (250-252+253-254)	255	203,239,619	331,181,871
44.	NET LOSS FOR THE CURRENT YEAR (251+252-253+254)	256	0	0
45.	Average number of employees upon work hours	257	404	417
46.	Number of months of work	258	12	12
47.	PROFIT/LOSS FOR THE PERIOD	259	203,239,619	331,181,871
47.a.	Profit belonging to the shareholders in the parent company	260	203,239,619	331,181,871
47.б.	Profit belonging to the uncontrollable participation	261		
47.в.	Loss belonging to the shareholders in the parent company	262		
47.г.	Loss belonging to the uncontrollable participation	263		
48.	EARNINGS PER SHARE	264		
48.a.	Total basic earnings per share	265		
48.б.	Total diluted earnings per share	266		
48.в.	Basic earning per share from interrupted work	267		
48.г.	Diluted earnings per share from interrupted work	268		

REPORT FOR COMPREHENSIVE INCOME					
Ordinal No.	Position	AOP	Note No.	Amount	
				Current year	Previous year
1.	Profit for the year	269		203,239,619	331,181,871
2.	Loss for the year	270		0	0
3.	Other comprehensive profit (273+275+277+279+281+283) - (274+276+278+280+282+284)	271		1,953,609	10,028,775
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		1,726,600	9,732,100
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		227,009	296,675
14.	Actuarial losses on defined plans for employee benefits	282			
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		1,953,609	10,028,775
19.	Net other comprehensive loss (285-271) млн (272+285)	287			
20.	Total comprehensive income for the year (269+286) млн (286-270)	288		205,193,228	341,210,646
20.a.	Comprehensive income attributable to share holders of parent company	289		205,193,228	341,210,646
20.б.	Comprehensive income belonging to uncontrollable participation	290			
21.	Total comprehensive loss for year (270+287) or (270-286) or (287-269)	291			
21.a.	Comprehensive loss attributable to share holders of parent company	292			
21.б.	Comprehensive loss belonging to uncontrollable participation	293			

Explanatory Notes

OKTA AD – SKOPJE**Notes to the financial statements for the year ended 31 December 2017**

(all amounts are in MKD unless otherwise stated)

1. General information

OKTA AD - Skopje (hereinafter "the Company") is a joint stock company established on 26 March 1980. The Company is owned 81.51% by ELP.ET Balkaniki S.A., a company controlled by Hellenic Petroleum S.A. The parent company is incorporated in Greece.

The Company's main activities are trade, import, production and blending of oil derivatives. Major oil derivatives are Gasoline, 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.

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

As of 31st December 2017, the Company had 383 employees (2016: 420 employees).

The address of the Company is as follows:

Street 1 no.25
Miladinovci Ilinden
1000 Skopje
Macedonia

The financial statements of OKTA AD – Skopje were authorised for issuing by the Management on 19th February 2018 and will be subject of approval by the Board of Directors on 21st February 2018. 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, 187/2013, 38/2014, 41/2014, 138/2014, 88/2016, 192/2016, 6/2017, 30/2017 and 61/2017) and the Rule Book for Accounting (published in Official Gazette No. 159/2009, No. 164/2010 and No. 107/2011), 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, IFRS 15, IFRS 16, 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.

(all amounts are in MKD unless otherwise stated)

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 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.

(all amounts are in MKD unless otherwise stated)

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:

	2017	2016
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 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

(all amounts are in MKD unless otherwise stated)

(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 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.

(all amounts are in MKD unless otherwise stated)

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.

(all amounts are in MKD unless otherwise stated)

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.

a. 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 EUR and small amount of USD.

Expenses of the Company that arise are mainly connected to EUR, partially in USD 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.

b. 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 and limited transactions in USD. 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.

The purchase of oil products from related parties are denominated in EUR, except one product which is denominated in USD but all products are connected to the price movement on the global movement in USD. Therefore there is associated inherent business risk with such transactions.

(all amounts are in MKD unless otherwise stated)

c. 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 31st December 2017, the Company has no time deposits (2016: MKD 60,000 thousands).

The Company as at 31 December 2017 does not have borrowings (2016: MKD 640,200 thousands), therefore 1 percentage point rise in market interest rate would have caused (ceteris paribus) the interest paid to increase with approximately MKD 6,402 thousands annually before tax for 2016, while similar decrease would have caused the same decrease in interest paid.

d. Price risk

The Company's has commodity price exposures of oil products price levels. It affects 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.

e. 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 acceptable credit exposure.

The Company has bank guarantees, mortgages and bills of exchange, as well as other collateral for the purchase in order to secure their collection. The Company does not guarantee the obligations of other parties. The maximum exposure to credit risk is represented by the value of the financial assets in the balance sheet.

The Company considers that the maximum exposure is represented by the amount of receivables reduced for the impairment and the amount of bank deposits at the balance sheet date. The management cooperates with the most eminent banks that are domestically or foreign owned on the domestic market.

f. 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.

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.

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.

a. 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.

(all amounts are in MKD unless otherwise stated)

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 22,753 thousand (2016: MKD 22,496 thousand).

b. 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.

c. 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.

d. 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.

OKTA AD – SKOPJE

Notes to the financial statements for the year ended 31 December 2017

(all amounts are in MKD unless otherwise stated)

5. Intangible Assets

2017	Software and other rights	Total
Cost		
Balance as at 1 January 2017	56,376,823	56,376,823
Additions	4,791,795	4,791,795
Advances	1,106,602	1,106,602
Balance as at 31 December 2017	<u>62,275,220</u>	<u>62,275,220</u>
Accumulated Amortisation		
Balance as at 1 January 2017	26,289,611	26,289,611
Amortisation	12,133,443	12,133,443
Balance as at 31 December 2017	<u>38,423,054</u>	<u>38,423,054</u>
Net book value as at 31 December 2017	<u>23,852,166</u>	<u>23,852,166</u>
2016		
Cost		
Balance as at 1 January 2016	48,505,378	48,505,378
Additions	7,871,445	7,871,445
Balance as at 31 December 2016	<u>56,376,823</u>	<u>56,376,823</u>
Accumulated Amortisation		
Balance as at 1 January 2016	16,138,395	16,138,395
Amortisation	10,151,216	10,151,216
Balance as at 31 December	<u>26,289,611</u>	<u>26,289,611</u>
Net book value as at 31 December 2016	<u>30,087,212</u>	<u>30,087,212</u>

OKTA AD – SKOPJE

Notes to the financial statements for the year ended 31 December 2017

(all amounts are in MKD unless otherwise stated)

6. Property, plant and Equipment

	Land	Buildings	Machinery and Equipment	Construction in progress	Total
Year ended on 31 December 2017					
Cost					
Opening amount	247,318,807	3,162,031,634	6,638,910,487	99,861,117	10,148,122,045
Additions	-	-	-	80,562,377	80,562,377
Disposals	-	-	(17,522,842)	-	(17,522,842)
Transfer for construction in progress	-	28,282,539	44,347,578	(72,630,117)	-
Total	247,318,807	3,190,314,173	6,665,735,223	107,793,377	10,211,161,580
Accumulated Depreciation					
Opening amount	-	2,905,784,661	4,952,529,220	-	7,858,313,881
Depreciation	-	31,255,941	195,067,285	-	226,323,226
Disposals	-	-	(15,439,551)	-	(15,439,551)
Total	-	2,937,040,602	5,132,156,954	-	8,069,197,556
Net book value as at 31 December 2017	247,318,807	253,273,571	1,533,578,269	107,793,377	2,141,964,024
As at 31 December 2016					
Cost	247,318,807	3,162,031,634	6,638,910,487	99,861,117	10,148,122,045
Accumulated depreciation	-	(2,905,784,661)	(4,952,529,220)	-	(7,858,313,881)
Net book value	247,318,807	256,246,973	1,686,381,267	99,861,117	2,289,808,164

OKTA AD – SKOPJE

Notes to the financial statements for the year ended 31 December 2017

(all amounts are in MKD unless otherwise stated)

7. Trade receivables

	2017	2016
Trade receivables domestic	692,027,714	1,768,549,023
Trade receivables foreign	158,790,686	219,260,938
Provision for impairment of trade receivables	(63,766,019)	(66,889,986)
Total	787,052,381	1,920,919,975

8. Cash and cash equivalents

	2017	2016
Bank account in domestic currency	747,433,723	308,348,390
Bank account in foreign currencies	30,281,196	17,279,097
Cash on hand - in domestic currency	30,304	39,958
Cash on hand – foreign currencies	5,012	43,725
Cash equivalent	684,584,193	400,456,526
Total	1,462,334,428	726,167,696

9. Share Capital

The total authorised number of ordinary shares is 846.360 shares value of EUR 51.12 per share. All issued shares are fully paid.

During 2017 all preference shares were converted to ordinary shares.

For the year 2017 there was change in the ownership structure of the Company and the shareholders structure as at 31 December 2017 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 %
	846,360	846,360	100 %

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

OKTA AD – SKOPJE

Notes to the financial statements for the year ended 31 December 2017

(all amounts are in MKD unless otherwise stated)

10. Trade payables

	2017	2016
Domestic trade payables	516,013,725	435,201,573
Foreign trade payables	540,557,820	817,258,342
Payables for non-invoiced goods	-	41,401
Total	1,056,571,545	1,252,501,316

11. Sales

	2017	2016
Sales on domestic market	20,420,268,809	15,481,541,389
Sales on foreign market	2,686,303,607	3,550,732,343
Total Sales	23,106,572,416	19,032,273,732

Responsible person for general
information and explanatory notes

Legal representative person of the
company