

О К Т А Рафинерија на нафта
Акционерско друштво
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Скопје 1

OKTA AD - SKOPJE

Financial Statements

For the year ended 31st December 2020

With Report of the Auditor Thereon

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Annual Report of OKTA AD Skopje for the year ended 31st of December 2020

Key achievements

The 2020 was marked by long-lasting pandemic of COVID – 19, which resulted to a significant stalemate in the economic activities on a global scale especially during the first half of the year, putting many challenges to all areas of the business world, with oil sector being no exception. Mobility cross border restriction measures imposed as a response to COVID -19 spread had as a result the reduction of fuel demand. In particular, the transit tourists traffic that use to summer seasonally peak was totally depleted while also the aviation sector was severely affected having air traffic significantly declining, although with some remedial properties visible during Q4 of 2020.

OKTA has managed to successfully overcome the challenges faced in the uncertain market environment as it evolves, yielding the positive outcomes of the strategy in place, while continues to uphold stringent health and safety standards, ensuring that customer service remains unimpeded. Prudent financial management and effective cost control measures across all business areas enabled OKTA to gradually offset the effects of margin pressures.

In 2020, the North Macedonian and Kosovo Fuel markets, where OKTA operates, despite the challenging and competitive environment, OKTA achieved to maintain its leadership position in the local market with 62% market share and increase its share in the Kosovo Market with 26% market share at yearend 2020 compared to the 23% at yearend 2019.

The company has managed to maintain a strong cash position despite the adverse effects deriving as results of the COVID – 19 crises, been able to undertake commercial opportunities and support the company's strategy without utilizing any credit lines.

The main projects in 2020 were:

- Fuel storage maintenance and improvements;
- Unloading and Loading Installation upgrades;
- Implementing a health and safety measures and procedures for protection from the Covid-19;
- Achieving to obtain the first COVID Shield certificate in the country;
- Organizational restructuring leading to the decrease of FTEs (45 employees);
- Administrative buildings renovation;
- Renewable energy power plan implementation;
- Laboratory upgrades;
- Management Information System (SAP) improvements;
- Cash and treasury management optimization;
- Further cost optimizations;
- Environmental protection;

In order to support the state in the combat against the COVID-19 pandemic, the CSR budget was efficiently restructured. Thus, significant part of OKTA's budget that was foreseen for different CSR actions that could not take place due to the pandemic was reallocated for meaningful support to the health system and other areas affected by the crisis. Hence, the following activities took place:

- Donation of medical equipment - 6 infusomats, 10 infusion pumps and 1 video bronchoscope for the needs of the Clinic for Infectious Diseases in Skopje
- Donation of 3.000 COVID-19 tests (1.500 IGG and 1.500 IGM tests) for the needs of the Clinic for Infectious Diseases in Skopje

- Donation of 30 laptops and 10.000 protective masks to support the educational process in the elementary schools in Ilinden Municipality during COVID-19 pandemic

Apart from COVID-19 related donations, OKTA made the following CSR actions:

- Donation of 5 air purifiers to the Clinic for Pediatric Diseases in Skopje
- Five scholarships for postgraduate studies were awarded to students for three different faculties at the St. Cyril and Methodius University in Skopje.
- Sponsorship of Greek language courses in Skopje intended for adolescents between the ages of 14 and 18, university students as well as young employees.
- Support of cultural activities by sponsoring the online broadcast of the renowned music festivals such as Skopje Jazz Festival and OFFest.
- OKTA supported the online International Conference "ENERGY 2020".
- Donation for the organization of humanitarian race for support of people with rare Wilson's disease.
- Red Cross organization within OKTA organized 3 blood donation actions where a large number of company's employees participated.

Company operations and market environment

The company has managed to close 2020 with notable profitability despite all the challenges, yielding the positive effect from the proactive cost control management, coupled with the enhanced operational efficiencies achieved.

Key highlights in 2020

Q1 performance was negatively affected by the COVID-19 driven decrease in demand and inventory effect negative adjustment caused by the collapse of international fuel prices.

With efficient stock management, in expectation of a fuel price recovery; in conjunction with the won State reserves tenders, the company achieved EBITDA recovery starting from Q2.

Therefore, adjusted EBITDA amounted 630 million MKD, overpassing the 554 million MKD generated during 2019, driven by the prudent management of its stocks allowing uninterrupted sales to its customers, in a period with many uncertainties; and the State Reserves supply tenders won during Q3, coupled with the positive effect from the continuous optimization of the indirect expenses.

- Sales revenue amounting 15,193 million MKD for 2020, still lagging behind the 27,674 million MKD of the same period last year being the result of decreased demand in volumes and the decline of international fuel prices.
- Gross margin on YTD, follows an analogous trend, standing at 788 million MKD, still trailing behind the 1.162 million MKD of the same period LY, adversely affected by the residual effect from the collapse of the international fuel prices during the first four months of 2020.
- Year end 2020 has marked a Loss before tax of 553 million MKD, adversely affected at the bottom-line levels, by the one-off provision for the Custom case amounting 781.4 million MKD. Hence, exempting the aforesaid one-off provision, the Profit before tax achieved an over performance during the second half of 2020 completely recovering from the negative levels during the H1 of 2020, reaching 228 million MKD, significantly closing the gap from the 302 million MKD of the same period last year. Absorbing the positive effect of the upward movement of the international prices during the second half of the year, coupled with the previously mentioned sales to State Reserves, their relevant storage fee and the enhanced operational efficiencies achieved.

In 2019, the customs authorities in North Macedonia, conducted an audit in OKTA, with regards to excise duties of eurodiesel imports, for the fiscal years 2014 - 2018. They are of the opinion that, excise duties related to these imports, were not correctly calculated and they issued relevant decisions for the fiscal year 2014, imposing additional amounts of € 380 K, which were paid in 2020.

The Company filed lawsuits within 2019, initiating administrative disputes, seeking full annulment, on grounds of substantial violations of procedural rules from the customs authorities' side, their failure to completely and correctly establish the facts of the case and to correctly apply substantive laws. As of July until December 2020, the authorities issued new decisions for the fiscal years 2015, 2016 and 2017, imposing additional amounts of € 4.6 million.

As at 31 December 2020 the company recognised a provision of 781.4 million MKD representing the company's best estimate of potential future cash outflows. The Company retains its position that it has acted in full compliance with all relevant laws, also as per expert's opinions received and intends to contest such decision to the ultimate judicial authority including if possible, to international jurisdictional forums.

Company Outlook for 2021

OKTA's continuous goal, is to remain the market leader, offering high quality products to the customers in the markets its operates.

The company's strategic plan for 2021 focuses on sustaining the sale performance on both markets, while continuing its cost optimization activities and operational improvements. The company will revisit its further opportunities both domestically and within the region, in the event the pipeline is re-opens during 2021.

The Company's priorities in 2021 are:

- Maintaining its domestic and export market share in a highly competitive environment;
- Strengthening of the co-operation with key customers;
- Accommodating the increasing state reserves storage needs;
- New Pricing Policy introduction and focusing on customer's volume consistency;
- Increasing return on capital employed;
- Further invest on new revenue streams by enhance its investments in the Renewable energy market
- Continuous training and creating of new opportunities for the company's employees;
- Be the best place to work in the North Macedonian Market, develop its personnel and attract talents;
- Further optimization and restructuring of the organizational structure;
- Succession planning;
- Exploring Retail Network Development opportunities;
- Push for further introduction of new technologies and automations fostering for efficiency optimizations exploiting the leverage of the HELPE group.
- Increase value of the shareholders
- Maximize synergies being a member of a leading Energy group in the region.

However, it should be acknowledged that the above mentioned targets may be affected by any macro environment factors, 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 2020 OKTA:

- Invested a total of MKD 90 million - MKD 51 million was directed into installations infrastructure, MKD 5.8 million into renewable energy related projects, MKD 3 million into IT and ERP related projects, MKD 0.16 million into security, safety and buildings related projects, MKD 2.6 million into administrative related projects, MKD 1.9 million in laboratory related projects, and MKD 24.6 million related to the renewal of our part of our Petrol Stations Branding agreement;
- The company entered into an interested party transaction in 2020 with Mr Dionysios Routsis, the chairman of OKTAs BOD, for specially entrusted matters for an amount of Euro 150k, a transaction that was approved by the company's BOD as the relevant body for having it approved.
- Entered into transactions with related parties, as presented in Note 28 of the Financial Statements for the year ended 31 December 2020;
- Did not have any long term debt, therefore applied no policy that links long term debt and share capital;
- OKTA has not adopted any dividend policy. The issue of dividend distribution and the amount of dividend to be paid to the shareholders is decided on an ad hoc basis annually pursuant to a decision of the General Assembly of Shareholders and approved thereon, upon proposal of the Board of Directors, which is based on several factors, only regarding the relevant year and after the year-end closing.
- During 2020 the Company has not acquired any own (treasury) shares
- The catalyst listed in its Balance sheet as asset held for sale were written down to their fair value less estimated costs to sell by MKD 2.8 million; with estimated sale to take place within H1;21
- Followed its risk management policy as depicted in Note 3 of the yearly Financial Statements and faced no significant issues;
- On 2nd of June 2020 the General Assembly of OKTA's Shareholder approved the distribution of dividend of a total amount of 123,568,560 MKD or 146 MKD (in absolute amount) per share;
- OKTA paid to the executive Board member the amount of MKD 3.2 million in the form of gross salaries and other benefits in amount of MKD 1.3 million. It also paid the non-executive Board members the total amount of MKD 12.2 million as compensation approved of by the by the Company's shareholders and by the BoD respectively. For confidentiality, reasons the numbers for each member are not disclosed here but are available to the shareholders upon request.

Enclosure: *Statement according to Article 384-a of the Law on trade companies*

Vuk Radovic

Chief Executive Officer



In accordance with the provisions of article 384 – a of the Law on trade companies, the management body of OKTA Oil Refinery Shareholding Company – Skopje (“OKTA”), gives the following:

CORPORATE GOVERNANCE STATEMENT¹

OKTA is listed at the mandatory trading tier on the Macedonian Stock Exchange (“MSE”).

In accordance with the MSE Listing Rules available on the MSE web page², being a company listed on the mandatory trading tier, for the business year 2020 OKTA is not obliged to apply the corporate governance principles stipulated in the MSE Corporate Governance Code dated June 2006, available on the MSE web page³.

Yet, OKTA applies the good corporate governance principles in accordance with the standards determined with the Law on trade companies.

OKTA does not have and does not apply any other corporate governance code. However, OKTA has internal by-laws in relation to corporate governance matters within the authority of the Board of Directors.

¹ The Corporate Governance Statement is an integral part of the Annual Report for 2020

² <https://www.mse.mk/mk/content/21/1/2008/listing-rules>

³ https://www.mse.mk/Repository/UserFiles/File/Misev/Regulativa/Akti%20na%20berza/Kodeks_za_korporativno_uprvuvanje.pdf

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 2020 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 North 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 in Republic of North Macedonia and published in the Official Gazette no. 79 dated 11 June 2010. 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

1/ 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 North Macedonia, the Company has recognized receivables in the period from 2000 to 2004 in amount of MKD 769.497 thousands as at 31 December 2020 (31 December 2019: 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. In addition, the Company has reported trade payables relating to the period prior to acquisition in amount of MKD 161.679 thousand as at 31 December 2020 (31 December 2019: MKD 176.507 thousand) with no movement since 2005 except for foreign exchange differences. 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 2020 and 31 December 2019 were necessary. Our audit opinion on the financial statements for the year ended 31 December 2019 was modified accordingly.

2/ As disclosed in Note 29 Contingencies and litigations and Note 25 Trade and other payables and provisions as at 31 December 2020 the Company recognised a provision of 781.4 million MKD representing the Company's best estimate of potential future cash outflows for an ongoing litigation with the customs authorities. In order to arrive at a best estimate, the Management of the Company has used significant judgement based on experts' opinions and weighting different scenarios and possible outcomes. The evidence provided by the Management for the determination of the weights of the different scenarios considering the underlying inherent uncertainties were not considered by us as sufficient and appropriate to support the judgements applied. Consequently, we were unable to determine whether any adjustments were necessary in respect of the litigation provisions booked as at 31 December 2020.

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 2020 and its financial performance and its cash flows for the year then ended in accordance with accounting standards accepted in Republic of North Macedonia.

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 2020. Our work regarding the annual report is performed in accordance with ISA 720 accepted in Republic of North Macedonia and published in the Official Gazette no. 79 dated 11 June 2010 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 2020 on which we expressed a qualified opinion in the above section "Report on the Financial Statements".


Vladimir Sokolovski
General Manager
Ernst & Young Certified Auditors DOO, Skopje
Skopje, 24 March 2021




Danica Ganceva
Certified Auditor

OKTA AD – SKOPJE

Financial statements for the year ended 31st December 2020

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

Statement of comprehensive income

	Note	Year ended 31 st December	
		2020	2019
Sales	5	15,363,568	27,673,826
Cost of goods sold	6	(14,382,337)	(26,512,202)
Gross profit		981,231	1,161,624
Operations and logistics expenses	7	(409,765)	(510,686)
Administrative expenses	8	(242,661)	(260,375)
Sales and distribution expenses	9	(95,154)	(117,379)
Other operating income	10	18,473	6,907
Change in value of assets held for sale	22	(2,779)	40,069
Other operating expenses	11	(815,247)	(26,313)
Operating (loss)/profit		(565,902)	293,847
Finance income	12	20,194	16,711
Finance costs	12	(7,532)	(8,704)
Finance income/(costs) – net		12,662	8,007
(Loss)/profit before income tax		(553,240)	301,854
Income tax expense	13	32,658	(39,062)
(Loss)/profit for the year		(520,582)	262,792
Other comprehensive income			
Change in employee benefits obligations		(573)	550
Change in value of available-for-sale financial assets		(1,035)	6,313
Total other comprehensive profit		(1,608)	6,863
Total comprehensive (loss)/profit for the year		(522,190)	269,655
Earnings per share information:			
Basic and diluted profit per share	14	(0.62)	0.31

Notes are integral part of these financial statements

OKTA AD – SKOPJE

Financial statements for the year ended 31st December 2020

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

Statement of financial position

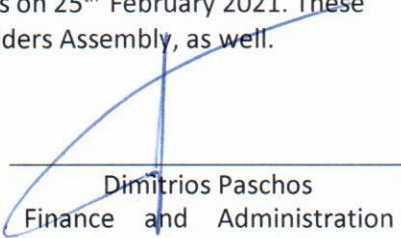
		As at 31 st December	
	Note	2020	2019
ASSETS			
Non-current assets			
Intangible assets	15	34,561	15,562
Property, plant and equipment	16	1,351,550	1,458,177
Available-for-sale financial assets	17	15,111	16,146
Deferred tax assets	18	36,488	3,830
Total non-current assets		1,437,710	1,493,715
Current assets			
Inventories	19	514,475	671,775
Trade receivables	20	249,898	326,430
Other receivables	20	847,684	855,899
Income tax receivables	20	32,297	-
Cash and cash equivalents	21	2,466,665	2,294,892
Assets held for sale	22	152,148	154,926
Total current assets		4,263,167	4,303,922
TOTAL ASSETS		5,700,877	5,797,637
EQUITY AND LIABILITIES			
Equity			
Share capital		2,472,820	2,472,820
Statutory reserves		494,718	494,718
Revaluation and other reserves		424,412	426,020
Retained earnings		655,246	1,299,396
Total equity	23	4,047,196	4,692,954
Non-current liabilities			
Provision for employee benefit obligations	24	14,220	10,638
Total non-current liabilities		14,220	10,638
Current liabilities			
Trade payables	25	554,806	677,178
Other current liabilities incl provisions	25	1,084,655	383,584
Current income tax payable		-	33,283
Total current liabilities		1,639,461	1,094,045
TOTAL LIABILITIES AND EQUITY		5,700,877	5,797,637

The financial statements of OKTA AD – Skopje were authorised for issue by the Management on 23rd February 2021 and will be subject of approval by the Board of Directors on 25th February 2021. These financial statements are subject to approval from Company's Shareholders Assembly, as well.

Signed on behalf of the Management of OKTA AD - Skopje:


Vuk Radovic
Chief Executive Officer




Dimitrios Paschos
Finance and Administration
Director

Notes are integral part of these financial statements

OKTA AD – SKOPJE

Financial statements for the year ended 31st December 2020

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

Statement of changes in equity

	Share capital	Statutory reserves	Revaluation and other reserves	Retained Earnings	Total
Balance at 1st January 2019	2,472,820	494,718	419,157	1,098,389	4,485,084
Net profit for 2019	-	-	-	262,792	262,792
Valuation of AFS	-	-	6,313	-	6,313
Comprehensive income	-	-	550	-	550
Total comprehensive income	2,472,820	494,718	426,020	1,361,181	4,754,739
Dividend declared	-	-	-	(61,785)	(61,785)
Balance at 31st December 2019	2,472,820	494,718	426,020	1,299,396	4,692,954
Net loss for 2020	-	-	-	(520,582)	(520,582)
Valuation of AFS	-	-	(1,035)	-	(1,035)
Comprehensive income	-	-	(573)	-	(573)
Total comprehensive income	2,472,820	494,718	424,412	778,814	4,170,764
Dividend declared	-	-	-	(123,568)	(123,568)
Balance at 31st December 2020	2,472,820	494,718	424,412	655,246	4,047,196

Notes are integral part of these financial statements

OKTA AD – SKOPJE

Financial statements for the year ended 31st December 2020

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

Statement of cash flows

	Year ended 31 st December	
	2020	2019
Operating activities		
(Loss)/profit before tax	(553,240)	301,854
<i>Adjustments for:</i>		
Depreciation and amortization	176,586	250,169
Impairment charges and provisions	2,779	6,852
Disposal of assets	680	8,540
Interest income	(4,786)	(8,733)
Interest expense and bank charges	7,532	8,704
Cash generated from operations before changes in working capital	(370,449)	567,386
Cash flow from operating activities		
Decrease /(Increase) in inventories	157,300	(175,387)
Decrease in receivables	84,748	245,289
(Increase) in income tax receivables	(32,297)	-
increase in payables	578,699	421,731
Cash generated from operations	418,001	1,059,019
Interest and bank charges paid	(7,532)	(8,704)
Income taxes paid	(33,283)	(5,411)
Net cash generated from/(used in) operating activities	377,186	1,044,904
Cash flow from investing activities		
Acquisition of property, plant and equipment	(88,991)	(74,614)
Sales of property, plant and equipment	1,230	732
Interest received	4,786	8,733
Bank Deposits	-	-
Net cash used in investing activities	(82,975)	(65,149)
Cash flow from financing activities		
Paid dividends	(122,852)	(61,858)
Received dividends	414	269
Net cash used in financing activities	(122,438)	(61,589)
Net increase in cash and cash equivalents	171,773	918,166
Cash and cash equivalents at 1 st January	2,294,892	1,376,726
Cash and cash equivalents at 31st December (note 21)	2,466,665	2,294,892

Notes are integral part of these financial statements

Translation in English of the official financial statements issued in Macedonian

(all amounts are in thousands of 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 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 2020, the Company had 274 employees (2019: 324 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 issue by the Management on 23rd February 2021 and will be subject of approval by the Board of Directors on 25th February 2021. 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, 6/2016, 30/2016 ,61/2016 88/2017, 192/2017, 64/2018, 120/2018, and 290/2020) 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 Statement of comprehensive income. 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 Statement of comprehensive income within "finance income/ costs (net)".

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

2. Summary of significant accounting policies (continued)

2.2. Foreign currency translation (continued)

The foreign currency deals of the Company are predominantly EURO (EUR) and United States Dollars (USD) based. The exchange rates used for translation at 31st December 2020 and 31st December 2019 were as follows:

Exchange rate:	31 st December 2020	31 st December 2019
	MKD	MKD
EUR	61.69	61.49
USD	50.24	54.95
GBP	67.90	72,16

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.

A) 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.

B) 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)

B) Depreciation (continued)

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

	2020	2019
Buildings	20 - 40 years	20 - 40 years
Computers	4 - 5 years	4 - 5 years
Equipment	Up to 20 years	Up to 20 years
Other equipment and vehicles	8 years	8 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 4-5 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 Statement of comprehensive income 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 Statement of comprehensive income – is removed from equity and recognised in the Statement of comprehensive income. 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 Statement of comprehensive income, the impairment loss is reversed through the Statement of comprehensive income.

2.6. Assets held for sales

The Company classifies non-current assets held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Assets classified as assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental cost directly attributed to the disposal of an asset. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition or after completion of other process which are considered standard for such types of sales.

2.7. 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.

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

2. Summary of significant accounting policies (continued)

2.8. 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.

2.9. 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.

2.10. Share capital

Ordinary and preference shares are classified as equity.

2.11. 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.

2.12. 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.

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

2. Summary of significant accounting policies (continued)

2.12. Provisions and contingent liabilities (continued)

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.

2.13. Income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Income Statement, 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.

A) 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.

B) 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.

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

2. Summary of significant accounting policies (continued)

2.14. Employees Benefits

A) Pension and other short-term liabilities to employees

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.

B) 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.

C) 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.

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

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 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.

2.17. 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.

(all amounts are in thousands of 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 Statement of comprehensive income. 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.

The outbreak of Covid-19 is expected to continue to have a negative impact on the global economy during 2021, affecting the public debt and unemployment rate as well as the non-performing loans and the investments. The containment measures imposed by the Macedonian government due to the outbreak of Covid-19 also had a significant impact on demand and private consumption. Management continually assesses the situation and its possible future impact to ensure that all necessary actions and measures are taken in order to minimize the impact on the Company's operations.

Covid-19: on 11 March 2020, the World Health Organization declared the Coronavirus Covid-19 outbreak to be a pandemic in recognition of its rapid spread across the globe. Many governments took increasingly stringent steps to help contain and delay the spread of the virus, which have slowed down the economies worldwide, causing considerable global disruption in business activities and everyday life.

Many countries, including our country, adopted extraordinary and economically costly containment measures, including requiring companies to limit or even suspend normal business operations. Governments also implemented restrictions on travelling as well as strict quarantine measures, Industries such as tourism, hospitality and entertainment are expected to be mostly disrupted directly by these measures. Other industries such as manufacturing and financial services are expected to be indirectly affected.

The strict containment measures gradually relaxed during June leading to a partial recovery of the domestic demand during the summer.

The decline in crude oil prices during the year, and the fluctuations in demand stemming from mobility restrictions, have affected the financial result of the Company. However, the above have not altered the Company's strategic orientation or targets and the current operations are largely unaffected.

The Company immediately responded to the outbreak of the pandemic and since end of February took various initiatives to this end primarily focusing on ensuring the health and safety of its employees and all of its stakeholders, as well as the smooth operation of its activities and continuing to supply our market.

The evolution of the pandemic, in our country and globally, is expected to affect the financial results and financial position for at least 2021. While a strong global economic recovery in 2021 remains very likely, the impact on the global economy and overall business activities cannot be estimated with reasonable certainty at this stage, due to the pace at which the outbreak expands and the high level of uncertainties arising from the inability to reliably predict the outcome. Management will continue to monitor the situation closely and will assess any potential further impact on the Company's financial position and performance.

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

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

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 thousands of MKD unless otherwise stated)

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

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

2020	MKD	EUR	USD	GBP
Assets				
Cash and cash equivalents	2,413,805	49,926	2,934	-
Trade receivables and other current financial assets	1,650,312	131,470	14,720	-
Total assets	4,064,117	181,396	17,654	-
Liabilities				
Trade payables	281,797	112,528	160,339	142
Other current liabilities	1,084,655	-	-	-
Total liabilities	1,366,452	112,528	160,339	142
Net balance sheet exposure	2,697,665	68,868	(142,685)	(142)
2019	MKD	EUR	USD	GBP
Assets				
Cash and cash equivalents	2,196,815	77,844	20,233	-
Trade receivables and other current financial assets	1,856,139	148,118	4,773	-
Total assets	4,052,954	225,962	25,006	-
Liabilities				
Trade payables	381,992	115,655	179,531	-
Other current liabilities	416,867	-	-	-
Total liabilities	798,859	115,655	179,531	-
Net balance sheet exposure	3,254,095	110,307	(154,525)	-

The Company realized more purchases in USD than sales. At 31st December 2020, if USD would have been 1% (2019: 1%) weaker or stronger against MKD profit would have been MKD 1,427 thousand (2019: MKD 1,545 thousand) after tax in net balance higher or lower, respectively.

The Company realized more purchases in EUR than sales. At 31st December 2020, if EUR would have been 1% (2019: 1%) weaker or stronger against MKD profit would have been MKD 689 thousand (2019: MKD 1,103 thousand) after tax in net balance higher or lower, respectively.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

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 2020, the Company has no time deposits (2019: nil).

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.

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

3. Financial risk management (continued)**3.1 Financial risk factors (continued)****E) 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 2020 and 31st December 2019:

	2020	2019
Cash and cash equivalents	2,466,665	2,294,892
Trade receivables	249,898	326,430
Other receivables	879,981	855,899
	3,596,544	3,477,221

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:

	31 st December 2020		31 st December 2019	
	Trade receivables - domestic	Trade receivables - foreign	Trade receivables - domestic	Trade receivables - foreign
Neither past due nor impaired	96,156	146,169	156,563	152,174
Past due but not impaired	7,552	21	16,976	717
Impaired	46,525	17,916	46,525	19,550
Gross	150,233	164,106	220,064	172,441
Less: allowance for impairment	(46,525)	(17,916)	(46,525)	(19,550)
Net	103,708	146,190	173,539	152,891

Trade receivables of MKD 7,573 thousand (2019: MKD 17,693 thousand) 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 20.

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.

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

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 2020			
Trade payables	554,806	-	-
Other current liabilities	1,084,655	-	-
	1,639,461	-	-
At 31st December 2019			
Trade payables	677,178	-	-
Other current liabilities	383,584	-	-
	1,060,762	-	-

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. Year-end 2020 has marked a Loss before tax of 553 million MKD, adversely affected by the one-off provision relevant to a Custom Audit amounting to 781.4 million MKD. Having the aforesaid one-off provision excluded, Profit before tax for the year, driven by the over performance experienced during the second half of 2020 completely recovering from the negative levels experienced in H1 of 2020, reached 228 million MKD, significantly closing the gap from the 302 million MKD of the same period last year. The management assessed the going concern principle and based on the current liquidity position of the Company and forecasted plans there is no going concern uncertainty.

(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 2020:

	Carrying amount	Fair Value
Cash and cash equivalents	2,466,665	2,466,665
Trade receivables	249,898	249,898
Other current financial assets	879,981	879,981
	3,596,544	3,596,544

The table below shows the categorisation of financial assets as at 31st December 2019:

	Carrying amount	Fair Value
Cash and cash equivalents	2,294,892	2,294,892
Trade receivables	326,430	326,430
Other current financial assets	855,899	855,899
	3,477,221	3,477,221

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.

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 17,659 thousand (2019: MKD 25,017 thousand).

The used depreciation rates are the best estimate of the useful life of the assets of the Company.

4.1. Critical accounting estimates and assumptions (continued)

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 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.

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.

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

5. Sales	2020	2019
Sales on domestic market	12,246,869	22,028,238
Sales on foreign market	3,116,699	5,645,588
	<u>15,363,568</u>	<u>27,673,826</u>

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

6. Cost of goods sold	2020	2019
Cost of traded goods	14,364,047	26,493,326
Impairment of inventories	-	-
Manipulation and shrinkage expenses	18,290	18,876
	<u>14,382,337</u>	<u>26,512,202</u>

7. Operations and logistics expenses	2020	2019
Depreciation and amortization	140,796	191,094
Gross salaries and wages	148,638	158,375
Electricity	17,842	20,216
Other fixed cost	7,806	12,154
Insurance expenses	48,442	28,398
Maintenance expenses	7,413	13,862
Personnel related expenses	14,454	26,423
Own consumption of fuels	1,481	2,250
Miscellaneous expenses	22,260	27,939
Redundancy expenses	-	29,091
Telecommunication expenses	416	517
Office supplies expenses	217	367
	<u>409,765</u>	<u>510,686</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

	2020	2019
Gross salaries and wages	77,682	86,413
Miscellaneous expenses	67,249	55,844
Depreciation and amortization	20,815	41,005
Other fixed cost	20,510	28,062
Public relation and advertising expenses	10,153	13,400
Rental expenses	5,808	4,657
Personnel related expenses	7,000	10,632
Insurance expenses	6,410	6,491
Maintenance expenses	1,264	869
Business travel	210	1,393
Redundancy expenses	24,688	9,996
Telecommunication expenses	668	1,382
Office supplies expenses	204	231
	242,661	260,375

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

	2020	2019
Gross salaries and wages	34,120	32,450
Miscellaneous expenses	19,995	21,958
Depreciation and amortization	14,975	18,070
Maintenance expenses	-	1,626
Other variable expenses	2,670	5,632
Personnel related expenses	1,391	2,166
Transportation expenses	697	10,549
Other fixed cost	14,426	14,303
Rental expenses	1,475	1,309
Public relation and advertising expenses	2,849	3,223
Redundancy expenses	-	2,176
Dues and subscriptions	16	331
Insurance expenses	2,121	2,806
Office supplies expenses	161	480
Telecommunication expenses	258	300
	95,154	117,379

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

	2020	2019
Income from prior years	11,409	2,724
Income from subventions	86	-
Income from sales of electricity	5,418	3,579
Collected written off receivables	108	72
Dividend income	414	269
Income from sale of fixed assets	1,038	263
	18,473	6,907

11. Other operating expenses

	2020	2019
Provision for legal cases	781,348	-
Impairment of spare parts and consumables	614	6,372
Impairment of assets	4,395	-
Waste treatment expenses	2,859	6,355
Net book value of disposed fixed assets	680	12,009
Impairment of bad and doubtful debts	-	480
Cost of traded electricity	4,829	1,097
Other expenses	3,209	-
COVID-19 related expenses	17,313	-
	815,247	26,313

The Coronavirus (COVID-19) was confirmed by the World Health Organization in the early 2020s and spread worldwide, causing disruption to normal business activities. As the situation develops during 2020, the management of the company continually assess the development of the epidemic and in order to minimise the risk for the company, employees and business partners undertake special measure in order to minimise the risk. A detailed plan has been developed and executed during the year focused on reducing the number of people working in the company premises while also undertaking all measures that will ensure the non-spread of the virus (disinfection, personal protection measures etc). Moreover, the company, being social responsible, provided support to the State Health institutions to help the common fight against the pandemic. Due to this additional expenses in amount of 17,313 thousands of MKDs are recognised. These expenses include donations to public institutions in amount of 4,779 thousands of MKD, materials for safety in amount of 1,094 thousands of MKD, Covid tests 1,077 thousands of MKD, expenses for disinfection 2,421 thousands of MKD etc.

12. Finance income and costs

	2020	2019
Foreign exchange gain, net	15,408	7,978
Interest income	4,786	8,733
Finance income	20,194	16,711
Interest expenses	(200)	(18)
Bank charges	(7,332)	(8,686)
Finance costs	(7,532)	(8,704)
Net finance income / (costs)	12,662	8,007

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

13. Income tax expense

Recognized in the statement of comprehensive income:

	2020	2019
<i>Current tax expense</i>		
Current year	31,830	(38,693)
<i>Deferred tax expense</i>	-	-
Increase/ (decrease) in deferred tax assets	828	(369)
Total income tax in the statement of comprehensive income	32,658	(39,062)

	2020	2019
Profit before tax/(Loss)	(553,240)	301,854
Expenses non tax deductible according to local regulations	234,938	127,331
Taxed income	-	-
Collected receivables taxed in previous years	-	-
Dividends received	-	(269)
Tax loss carries forward	-	(41,983)
	(318,302)	386,933
Current year tax charge	(31,830)	38,693

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 (and the amendments from 2015 till 2020) 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. In line with these changes profit tax for the year was nil and deferred tax were calculated and recorded in the 2020 statement of comprehensive income (see note 2.13).

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.

	2020	2019
Profit/(Loss) for the year	(520,582)	262,792
Profit/(Loss) to ordinary equity holders	(520,582)	262,792
Weighted average number of ordinary shares in issue:	846,360	846,360

Weighted average shares of the Company during 2020 was 846,360 (2019: 846,360). OKTA has no preference shares.

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

15. Intangible Assets

2020	Software and other rights
Cost	
Balance as at 1 January 2020	75,628
Additions	26,108
Software under construction	732
Balance as at 31 December 2020	102,468
Accumulated Amortisation	
Balance as at 1 January 2020	60,798
Amortisation	7,109
Balance as at 31 December 2020	67,907
<i>Net book value as at 31 December 2020</i>	<i>34,561</i>
	Software and other rights
2019	
Cost	
Balance as at 1 January 2019	67,265
Additions	8,363
Software under construction	732
Balance as at 31 December 2019	76,360
Accumulated Amortisation	
Balance as at 1 January 2019	50,163
Amortisation	10,635
Balance as at 31 December 2019	60,798
<i>Net book value as at 31 December 2019</i>	<i>15,562</i>

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

16. Property Plant and Equipment

	Land	Buildings	Machinery and equipment	Construc- tion in progress	Total
At 1 January 2020					
Cost	247,319	3,208,551	6,365,019	55,027	9,875,916
Accumulated depreciation	-	(2,971,608)	(5,446,131)	-	(8,417,739)
Net book amount	247,319	236,943	918,888	55,027	1,458,177
Year ended 31 December 2020					
Opening net book amount	247,319	236,943	918,888	55,027	1,458,177
Additions	-	-	-	63,803	63,803
Transfer from construction in progress	-	32,719	55,413	(88,132)	-
Disposals	-	-	(953)	-	(953)
Depreciation charge	-	(28,780)	(140,697)	-	(169,477)
Closing net book amount	247,319	240,882	832,651	30,698	1,351,550
At 31 December 2020					
Cost	247,319	3,241,270	6,404,740	30,698	9,924,027
Accumulated depreciation	-	(3,000,388)	(5,572,089)	-	(8,572,477)
Net book amount	247,319	240,882	832,651	30,698	1,351,550
Year ended 31 December 2019					
Opening net book amount	247,319	224,171	1,049,571	128,606	1,649,667
Additions	-	-	-	56,584	56,584
Transfer from construction in progress	-	65,174	64,989	(130,163)	-
Disposals	-	(6,450)	(2,090)	-	(8,540)
Depreciation charge	-	(45,952)	(193,582)	-	(239,534)
Closing net book amount	247,319	236,943	918,888	55,027	1,458,177
At 31 December 2019					
Cost	247,319	3,208,551	6,365,019	55,027	9,875,916
Accumulated depreciation	-	(2,971,608)	(5,446,131)	-	(8,417,739)
Net book amount	247,319	236,943	918,888	55,027	1,458,177

Out of total depreciation and amortisation expense (of the tangible and intangible assets) amount of MKD 140,796 thousands (2019: MKD 191,094 thousands) has been charged in Operations and logistic expenses, MKD 20,815 thousands (2019: MKD 41,005 thousands) in administrative costs and MKD 14,975 thousands (2019: MKD 18,070 thousands) in selling and distribution expenses.

Impairment of MKD 3,397 thousand is included in line disposal of machinery and equipment. The amount of disposal is presented on net basis.

During the past year, the Company has purchased the land which was in state ownership in the previous years.

(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 2020. 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 6.2% (6.2% for 2019) on a post-tax basis. The valuation model has not suggested any impairment and hence no impairments have been recorded as of 31st December 2020 or as at 31st December 2019. 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 6.2% WACC.

17. Available-for-sale financial assets

	2020	2019
At 1 st January	16,146	9,833
Additions	-	-
Disposals	-	-
Net (loss) gains transferred to revaluation reserves	(1,035)	6,313
At 31st December	15,111	16,146

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

	2020	2019
Investments in companies	15,111	16,146
	15,111	16,146

18. Deferred income tax assets

Recognized deferred income tax assets are due to tax loss carried forward and different depreciation rates. The Company has not recognized any deferred tax liability.

	2020	2019
Deferred tax asset:		
Deferred income tax assets to be recovered after more than 12 months	36,488	3,830
Deferred income tax assets to be recovered within 12 months	-	-
Deferred income tax asset	36,488	3,830

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

18. Deferred income tax assets (continued)

Movement in temporary differences during the year

In thousands of denars	Balance 1 January 2020	Utilized Deferred income tax asset	Recognized in income	Balance 31 December 2020
Loss carried forward	-	-	31,830	31,830
Depreciation of assets	3,830	-	828	4,658
	3,830	-	32,658	36,488

The temporary differences relate to tax loss carried forward and difference in Depreciation rates between used Group Rates and Official Rates published by the Public Revenue Office.

19. Inventories

	2020	2020
Trade goods	494,656	650,688
Spare parts and tools and consumables stores	19,819	21,087
	514,475	671,775

20. Trade and other receivables

Carrying amount of trade receivables is presented as follows:

	2020	2019
Trade receivables domestic	150,233	220,064
Trade receivables foreign	164,106	172,441
Trade receivables – gross	314,339	392,505
Provision for impairment of trade receivables	(64,441)	(66,075)
Total trade receivables	249,898	326,430

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

20. Trade and other receivables (continued)

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

	2020	2019
Trade receivables - domestic	150,073	219,782
Trade receivables - foreign	164,106	172,372
Domestic receivables from related parties (note 28)	160	282
Foreign receivables from related parties (note 28)	-	69
Less: Provision for impairment	(64,441)	(66,075)
Trade receivables – net	249,898	326,430
Receivable from Escrow account	769,497	769,497
Prepaid expenses	70,190	79,630
Advance payments	3,499	3,546
Income tax receivables	32,297	-
Other short term receivables	3,142	3,226
VAT receivables	1,356	-
Other receivables	879,981	855,899
	1,129,879	1,182,329

Receivables from related parties represent receivables from VARDAX (Note 28).

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:

	2020	2019
Not past due	242,325	308,737
less than 30 days	6,390	15,888
30 to 90 days	327	343
90 days to 1 year	856	1,462
Over 1 year	64,441	66,075
Total gross receivables	314,339	392,505

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

	2020	2019
At 1 st January	66,075	65,166
Provision for receivables impairment	-	472
Collected receivables	-	-
Written off receivable	-	-
FX difference	(1,634)	437
At 31st December	64,441	66,075

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

20. 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:

	2020	2019
Over 1 year	64,441	66,075
Over 180 days	-	-
	64,441	66,075

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

	2020	2019
MKD	103,708	173,539
EUR	131,470	148,118
USD	14,720	4,773
	249,898	326,430

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

	2020	2019
MKD	879,981	855,899
	879,981	855,899

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

21. Cash and cash equivalents

	2020	2019
Bank accounts in domestic currency	2,414,021	2,192,805
Bank accounts in foreign currency	52,860	98,077
Cash on hand	6	-
Other cash and cash equivalents	4,597	4,010
Impairment of cash	(4,819)	-
	2,466,665	2,294,892

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

	2020	2019
MKD	2,413,805	2,196,815
EUR	49,926	77,844
USD	2,934	20,233
	2,466,665	2,294,892

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

22. Assets held for sale

	2020	2019
Property, plant and equipment	152,148	154,926
	152,148	154,926

The assets held for sale were written down to their fair value less estimated costs to sell during 2020. OKTA entered into a framework agreement for the refinement and sale of precious metals contained in the catalysts that were previously used for the refining of crude oil in 2018. The catalyst is classified as assets held for sales from the date the company entered into the framework agreement. The assessment of the fair value of the asset is done and the impairment loss of MKD 129,508 is recognized as of 31 December 2018. During 2019, part of the catalyst was sold, and reassessment of the sales value was performed as at 31 December 2019 and 2020. Following these total net expenses from the transactions conducted in 2020 is MKD 2,779 thousand.

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

The total authorised number of ordinary shares is 846,360 shares value of EUR 51.12 per share (2019: 846,360 ordinary shares with EUR 51.12 par value). All issued shares are fully paid.

The shareholders structure as at 31 December 2020 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

The company dividend payments during 2020 is MKD 122,852 thousand (2019: 61,858). Dividends declared and paid for the year ended 31 December 2020 entirely relate to cash dividends on ordinary shares. There are no other declared dividends.

Declared and paid during the period ended 31 December 2020

Final dividend from retained earnings:

Declared:	123,568
Paid from declared dividend during 2020:	122,831
Paid from declared dividend in previous years:	21
Total paid	122,852

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

23. 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 2020 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.

24. Employee benefit obligations

	2020	2019
Retirement benefit obligations and jubilee awards	14,220	10,638
	<u>14,220</u>	<u>10,638</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 2020 and 2019.

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

24. Employee benefits obligations (continued)

	2020	2019
Amounts recognised in Balance sheet		
Present value of obligations	14,220	10,638
Fair value of plan assets	-	-
Net Liability/ (Asset) in Balance Sheet	14,220	10,638
Amounts recognized in Profit and Loss		
Service cost	518	539
Net interest on the net defined benefit liability/ (asset)	324	374
Recognition of actuarial (gain)/Loss	-	-
Regular P&L charge	842	913
Settlement/ Curtailment/ Termination loss/ (gain)	22,773	48,225
Total P&L Charge	23,615	49,138
Reconciliation of benefit obligation		
Defined Benefit Obligation at start period	10,638	12,344
Service cost	518	539
Interest cost	324	374
Past service cost	4,392	-
Benefits paid directly by the Company	(2,220)	(2,061)
Settlement/ Curtailment/ Termination loss (gain)	-	-
Actuarial (gain)/loss- experience	568	(558)
Defined benefit obligation at end of period	14,220	10,638
Movements in Net Liability/ (Asset) in Balance Sheet		
Net Liability/ (Asset) in Balance Sheet at the beginning of the period	10,638	12,344
Benefits paid directly	(25,460)	(50,287)
Total expense recognised in the income statement	28,469	49,131
Total amount recognised in the Other comprehensive income	573	(550)
Net Liability/ (Asset) in Balance sheet	14,220	10,638
Assumptions		
Discount rate	3%	3.1%
Price inflation	1.5%	1.5%
Rate of compensation increase	1.5%	1.5%
Plan duration	12.87	12.25

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

25. Trade and other payables and provisions

Carrying amount of trade payables is presented as follows:

	2020	2019
Domestic trade payables	281,797	381,992
Foreign trade payables	273,009	295,186
	554,806	677,178

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

	2020	2019
Domestic trade payables	281,797	381,992
Foreign trade payables	2,653	3,316
Foreign payables from related parties	108,598	115,363
Foreign trade payables prior acquisition	161,758	176,507
Trade payables	554,806	677,178
Advances received	58,271	59,109
Excise taxes payable	199,127	234,998
Salaries and wages	9,612	10,792
Personal income tax and contributions	4,867	5,470
Withholding tax	282	276
Provision for court cases	3,660	11,766
Accrued liabilities	46,538	50,221
Provisions on other litigations (Note 29)	760,229	-
VAT liabilities	-	10,892
Other	2,069	60
Other current liabilities	1,084,655	383,584
	1,639,461	1,060,762

Liabilities to related parties represent liabilities to Hellenic Petroleum S.A. Greece (Note 28).

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

	2020	2019
MKD	281,797	381,992
GBP	142	-
USD	160,339	115,655
EUR	112,528	179,531
	554,806	677,178

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

	2020	2019
MKD	1,084,655	383,584
	1,084,655	383,584

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

26. Expenses by nature

	2020	2019
Cost of traded goods	14,364,047	26,493,326
Provision for legal cases	781,348	-
COVID-19 related expenses	17,313	-
Gross salaries and wages	260,440	277,238
Depreciation and amortization	176,586	250,169
Impairment of long term assets	4,395	-
Miscellaneous expenses	109,504	105,741
Other fixed cost	42,742	54,519
Personnel related expenses	22,845	39,221
Insurance expenses	56,973	37,695
Redundancy expenses	24,688	41,263
Electricity	17,842	20,216
Manipulation and shrinkage expenses	18,290	18,876
Maintenance expenses	8,677	16,357
Public relation and advertising expenses	13,002	16,623
Net book value of disposed fixed assets	680	12,009
Transportation expenses	697	10,549
Impairment of spare parts and consumables	614	6,372
Waste treatment expenses	2,859	6,355
Rental expenses	7,283	5,966
Other variable expenses	2,670	5,632
Own consumption of fuels	1,481	2,250
Telecommunication expenses	1,342	2,199
Business travel	210	1,393
Cost of traded electricity	4,829	1,097
Expenses from previous year	3,209	-
Office supplies expenses	582	1,078
Impairment of bad and doubtful debts	-	480
Dues and subscriptions	16	331
Impairment of assets held for sale	2,779	-
	15,947,943	27,426,955

27. Employee related expenses

	2020	2019
Salaries and wages	163,717	170,083
Contributions and taxes	77,812	89,154
Other benefits	18,911	18,001
	260,440	277,238

	2020	2019
Average number of employees	305	336

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

28. 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.

Sales of goods and services

<i>Sales of services</i>	2020	2019
Vardax S.A.	839	869
Jugopetrol A.D.	70	544
Hellenic Petroleum S.A.	-	-
EKO Bulgaria	-	-
	909	1,413

Purchases of goods and services

<i>Purchases of trading goods</i>	2020	2019
Hellenic Petroleum S.A.	13,544,931	25,775,521
HFL S.A.	-	529
	13,544,931	25,776,050

<i>Purchases of services</i>	2020	2019
Hellenic Petroleum S.A.	17,408	17,589
ELPE International consulting	9,254	9,291
Asprofos S.A.	-	4,613
HFL S.A.	6,069	6,053
EKO Bulgaria	40	3,600
	32,771	41,146

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

28. Related party transactions (continued)

<i>Receivables arising from sale of services</i>	2020	2019
Vardax S.A.	160	282
Jugopetrol A.D.	-	69
	160	351

Outstanding balances arising from purchase of goods/services

<i>Payables arising from purchase of raw materials and goods</i>	2020	2019
Hellenic Petroleum S.A.	103,043	106,130
HFL S.A.	-	529
	103,043	106,659

<i>Payables arising from purchase of services</i>	2020	2019
HFL S.A.	454	454
Hellenic Petroleum S.A.	2,605	2,933
ELPE International consulting	2,082	2,089
Asprofos S.A.	374	3,228
EKO Bulgaria	40	-
	5,555	8.704

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:

	2020	2019
Salaries	33,025	19,374
Taxes and contributions	10,066	9,485
Other benefits	4,473	2,627
	47,564	31,486

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

29. Contingencies and litigations

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 1,301,075 thousand as at 31 December 2020 (2019: MKD 846,481 thousands). No additional payments are anticipated at the date of the financial statements.

Unused Credit Limits

The Company has contingent liabilities in respect of unused credit limits in the amount of MKD 372,696 thousand as at 31 December 2020 (2019: 328,755).

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 which were not provided for. (Note 25).

Assessment of custom duties and fines*

In 2019, the customs authorities in North Macedonia, conducted an audit in OKTA, with regards to excise duties of eurodiesel imports, for the fiscal years 2014 - 2018. They are of the opinion that, excise duties related to these imports, were not correctly calculated and they issued relevant decisions for the fiscal year 2014, imposing additional amounts of EUR 380 K or MKD 23,4 mln, which were paid in 2020.

The Company filed lawsuits within 2019, initiating administrative disputes, seeking full annulment, on grounds of substantial violations of procedural rules from the customs authorities' side, their failure to completely and correctly establish the facts of the case and to correctly apply substantive laws. As of July until December 2020, the authorities issued new decisions for the fiscal years 2015, 2016 and 2017, imposing additional amounts of EUR 4.6 million or MKD 281 million.

As at 31 December 2020 the company recognised a provision of 781.4 million MKD (EUR 12.7 mln) representing the company's best estimate of potential future cash outflows. In order to arrive at a best estimate, the management has used significant judgement based on experts' opinions and weighting different scenarios and possible outcomes. The outcomes, however may vary in between MKD 0 (EUR 0) and MKD 1,120 mln (EUR 18.2 mln) the latter amount including refundable VAT of MKD 124.4 mln (EUR 2 mln) as there is inherent uncertainty in law interpretations and litigation processes. The Company retains its position that it has acted in full compliance with all relevant laws, also as per expert's opinions received and intends to contest such decision to the ultimate judicial authority including if possible to international jurisdictional forums. As per the requirements of IAS 37 paragraph 92 further disclosures are considered sensitive by the Company considering the ongoing disputes.

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

30. 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:

	2020	2019
No later than 1 year	9,251	11,322
Later than 1 year and no later than 5 years	10,546	16,843
Later than 5 years	-	-
	19,797	28,165

31. Events after the reporting period

There are no events after the reporting period that would have impact on the 2020 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 01.01.2020 - 31.12.2020

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		1.401.374.580	1.490.131.271
Intangible assets (003+004+005+006+007+008)	002	5	34.561.278	15.561.721
Expenditures for research and development	003			
Patents, license, concession and other rights.	004		33.829.428	14.829.871
Goodwill	005			
Advance payment for intangible assets	006			
Intangible assets in preparation	007		731.850	731.850
Other intangible assets	008			
II. Tangible assets (010+013+014+015+016+017+018+019)	009	6	1.351.550.378	1.458.177.197
Immovable property (real estate) (011+012)	010	6	488.201.256	484.262.439
Land	011	6	247.318.812	247.318.807
Buildings	012	6	240.882.444	236.943.632
Plant and equipment	013	6	780.696.794	854.968.474
Transport assets	014	6	2.007.634	6.355.691
Tools, office inventor, assets for transport	015	6	49.906.681	57.523.551
Biological assets	016			
Advance payment for tangible	017			
Tangible assets in preparation	018	6	30.698.256	55.027.285
Other tangible assets in preparation	019	6	39.757	39.757
III. INVESTMENT IN IMMOVABLE PROPERTY	020			
IV. LONG-TERM FINANCIAL ASSETS (022+023+024+025+026+030)	021		15.262.924	16.392.353
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		15.111.000	16.145.793
Investment in securities held to maturity	027			
Investments in securities available for sale	028		15.111.000	16.145.793
Investments in securities at fair value through profit or loss	029			
Other long-term financial assets	030		151.924	246.560
LONG-TERM RECEIVABLES (032+033+034)	031		0	0
Receivables from related parties	032			
Receivables from customers	033			
Other long-term receivables	034			

DEFERRED TAX ASSETS	035	36.488.310	3.829.702
CURRENT ASSETS (037+045+052+059)	036	4.040.676.083	4.069.120.041
I. Stocks (038+039+040+041+042+043)	037	514.475.210	671.775.244
Stocks of raw materials	038	2.209.753	2.912.538
Stocks of spare parts, small inventory, packaging and tyres	039	17.608.989	18.174.583
Stock of unfinished products and semi-products	040		
Stock of finished products	041		
Stock of commercial products	042	494.656.468	650.688.123
Stock of biological products	043		

ASSETS (OR GROUP FOR TRANSFER FOR SALES AND INTERRUPTED WORKS)	044		152.147.676	154.926.467
III. SHORT-TERM RECEIVABLES (046+047+048+049+050+051)	045		1.059.536.179	1.102.453.143
Receivables from related parties	046	7	181.382	489.537
Trade accounts receivable	047	7	249.716.513	325.940.779
Advance payments	048		3.498.617	3.546.252
Receivables from the state upon taxes, social contribution, customs duties, excise and other duties towards the state	049		33.653.025	
Receivables from the employees	050		10.067	0
Other short term receivables	051		772.476.575	772.476.575
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	2.466.664.694	2.294.891.654
Cash	060		2.462.067.712	2.290.882.135
Cash equivalents	061		4.596.982	4.009.519
VI. PREPAYMENT OF EXPENSES FOR FUTURE PERIODS AND CALCULATED REVENUES	062		70.190.329	79.629.767
TOTAL ASSETS: ASSETS (001+035+036+044+062)	063		5.700.876.978	5.797.637.248
VII. OUT-OF-BALANCE RECORDS - ASSETS	064			3.615.529.828
LIABILITIES: A. SHARE CAPITAL AND RESERVES (066+067-068-069+070+071+075-076+077-078)	065		4.047.196.211	4.692.954.332
I. SHARE CAPITAL	066	9	2.472.819.516	2.472.819.516
Share premiums	067			
III. Own shares (-)	068			
IV. Registered, not paid capital (-)	069			
Revaluation reserve and differences from evaluation of components of the other comprehensive profit	070		107.010.292	108.618.513
V. RESERVES (072+073+074)	071		812.119.797	812.119.797
Statutory reserves	072		494.718.176	494.718.176
Company's reserves (according to the Incorporation Act)	073			
Other reserves	074		317.401.621	317.401.621
VI. ACCUMULATED PROFIT	075		1.175.827.946	1.036.604.685
VIII. TRANSFERRED LOSS (-)	076			
IX. PROFIT FOR THE CURRENT YEAR	077			262.791.821
X. LOSS FOR THE CURRENT YEAR	078		520.581.340	
XI. SHARE CAPITAL OF THE OWNERS OF THE PARENT COMPANY	079			
I. NON-CONTROLLABLE PARTICIPATION	080			
B. LIABILITIES (082+085+095)	081		1.603.482.308	1.044.055.283
I. LONG-TERM PROVISIONS FOR RISKS AND EXPENSES (083+084)	082		14.220.239	10.637.859
Provisions for pensions, severance payments and similar liabilities towards the employees	083		14.220.239	10.637.859
Other long-term provisions for risks and expenses	084			
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		1.589.262.069	1.033.417.424
Liabilities to related parties	096	10	108.598.607	115.347.932
Trade payables	097	10	446.206.436	561.830.320
Advance and deposit liabilities	098		58.270.823	59.109.552
Liabilities for taxes and social contribution upon salaries	099		4.867.490	5.469.737
Liabilities towards the employees	100		9.611.646	10.852.184
Current tax liabilities	101		199.408.459	279.448.410
Short-term provisions for risks and expenses	102			
Liabilities upon loans and credits to related parties	103			
Liabilities upon loans and credits	104		0	0
Liabilities upon securities	105			
Liabilities upon participation in the profits	106		2.069.539	1.359.289
Other financial liabilities	107			
Other long-term liabilities	108		760.229.069	
V. DEFERRED PAYMENTS OF EXPENSES AND INCOME IN FUTURE PERIODS	109		50.198.459,00	60.627.633,00
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 (65+081+094+109+110)	111		5.700.876.978	5.797.637.248
B. OUT-OF-BALANCE RECORDS - LIABILITIES	112		0	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 01.01.2020 - 31.12.2020					
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		15.382.479.809	27.680.911.971
2.	Sale income	202	11	15.368.985.922	27.677.404.841
3.	Other income	203		13.493.887	3.507.130
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			
4.6.	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		15.955.276.601	27.491.870.527
7.	Raw materials expenses	208		34.527.053	43.251.162
8.	Purchase price of the goods sold	209		14.389.846.839	26.513.203.563
9.	Purchase price of materials, spare parts, small inventory, packaging and tyres	210			
10.	Services categorized as material expenses	211		63.323.538	78.342.058
11.	Other operational expenses	212		212.103.168	218.209.396
12.	Employees expenses (214+215+216+217)	213		285.870.593	312.202.035
12.a.	Net salaries	214		145.837.280	170.082.848
12.6.	Expenses for taxes and salaries contributions	215		15.787.242	17.019.343
12.b.	Mandatory social contribution expenses	216		72.560.659	68.604.407
12.r.	Other expenses for employees	217		51.685.412	56.495.437
13.	Depreciation of tangible and intangible assets	218		176.585.712	250.168.887
14.	Impairment of non-fixed assets	219			
15.	Impairment of fixed assets	220		7.788.631	63.082.291
16.	Provisions for risks and expenses	221		3.008.952	912.957
17.	Other operational expenses	222		782.222.115	12.498.178
18.	III. FINANCIAL INCOME (224+229+230+231+232+233)	223		27.186.724	126.437.806
19.	Financial income arising from related parties (225+226+227+228)	224		2.014.682	5.028.958
19.a.	Income from investment in related parties	225			
19.6.	Income from interests from related parties	226			
19.b.	Income from foreign exchange difference from related parties	227		2.014.682	5.028.958
19.r.	Other financial income from related parties	228			
20.	Income from investment in non-related parties	229		414.000	269.100
21.	Income from interests from non-related parties	230		1.947.571	6.176.881
22.	Income from foreign exchange difference from non-related parties	231		20.824.451	16.556.751
23.	Unrealised income from financial assets	232			
24.	Other financial income	233		1.986.020	98.406.116
25.	IV. FINANCIAL EXPENSES (235+239+240+241+242+243)	234		7.629.880	13.625.588
26.	Financial expenses with related parties (236+237+238)	235		2.410.761	4.495.169
26.a.	Expenses for interest payable to related parties	236			
26.6.	Expense for foreign exchange differences payable to related parties	237		2.410.761	4.495.169
26.b.	Other financial expenses payable to related parties	238			
27.	Expenses for interest payable to non-related parties	239		199.542	17.531
28.	Expense for foreign exchange differences payable to non-related parties	240		5.019.577	9.112.888
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			301.853.662

35.	Loss from regular operations (204-205+207+234+245)-(201+223+244)	247		553.239.948	
36.	Net profit from interrupted work	248			
37.	Net loss from interrupted work	249			
38.	Profit before taxation (246+248) или (246-249)	250		0	301.853.662
39.	Loss before taxation (247+249) или (247-248)	251		553.239.948	0
40.	Corporate income tax	252			42.891.543
41.	Deferred tax assets	253		32.658.608	3.829.702
42.	Deferred tax liabilities	254			
43.	NET PROFIT FOR THE CURRENT YEAR (250-252+253-254)	255			262.791.821
44.	NET LOSS FOR THE CURRENT YEAR (251+252-253+254)	256		520.581.340	0
45.	Average number of employees upon work hours	257		305	336
46.	Number of months of work	258		12	12
47.	PROFIT/LOSS FOR THE PERIOD	259		520.581.340	262.791.821
47.a.	Profit belonging to the shareholders in the parent company	260			262.791.821
47.b.	Profit belonging to the uncontrollable participation	261			
47.v.	Loss belonging to the shareholders in the parent company	262			
47.r.	Loss belonging to the uncontrollable participation	263			
48.	EARNINGS PER SHARE	264			
48.a.	Total basic earnings per share	265		0	310
48.b.	Total diluted earnings per share	266			
48.v.	Basic earning per share from interrupted work	267			
48.r.	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			262.791.821	
2.	Loss for the year	270		520.581.340		
3.	Other comprehensive profit (273+275+277+279+281+283) - (274+276+278+280+282+284)	271			6.863.011	
4.	Other comprehensive loss (274+276+278+280+282+284) - (273+275+277+279+281+283)	272		1.608.221		
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			6.313.293	
8.	Loss from re-assessment of financial assets available for sale	276		1.034.793		
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			549.718	
14.	Actuarial losses on defined plans for employee benefits	282		573.428		
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		0	6.863.011	
19.	Net other comprehensive loss (285-271) или (272+285)	287		1.608.221		
20.	Total comprehensive income for the year (269+286) или (286-270)	288			269.654.832	
20.a.	Comprehensive income attributable to share holders of parent company	289		0	269.654.832	
20.b.	Comprehensive income belonging to uncontrollable participation	290				
21.	Total comprehensive loss for year (270+287) or (270-286) or (287-269)	291		522.189.561		
21.a.	Comprehensive loss attributable to share holders of parent company	292		522.189.561		
21.b.	Comprehensive loss belonging to uncontrollable participation	293				

Explanatory Notes

OKTA AD – SKOPJE**Notes to the financial statements for the year ended 31 December 2020**

(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 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 2020, the Company had 274 employees (2019: 324 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 issue by the Management on 23th February 2021 and will be subject of approval by the Board of Directors on 25th February 2021. 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, 6/2016, 30/2016, 61/2016, 88/2017, 192/2017, 64/2018, 120/2018 and 290/2020) 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.

OKTA AD – SKOPJE

Notes to the financial statements for the year ended 31 December 2020

(all amounts are in 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***a) Functional and presentation currency***

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

b) Transactions and balances

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

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

OKTA AD – SKOPJE

Notes to the financial statements for the year ended 31 December 2020

(all amounts are in MKD unless otherwise stated)

2. Summary of significant accounting policies (continued)

2.2. Foreign currency translation (continued)

The foreign currency deals of the Company are predominantly EURO (EUR) and United States Dollars (USD) based. The exchange rates used for translation at 31st December 2018 and 31st December 2017 were as follows:

Exchange rate:	31 st December 2020	31 st December 2019
	MKD	MKD
EUR	61.69	61.49
USD	50.24	54.95

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.

a) 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.

b) Depreciation

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

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

OKTA AD – SKOPJE

Notes to the financial statements for the year ended 31 December 2020

(all amounts are in MKD unless otherwise stated)

2. Summary of significant accounting policies (continued)

2.3. Property, plant and equipment (continued)

b) Depreciation (continued)

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

	2020	2019
Buildings	20 - 40 years	20 - 40 years
Computers	4 - 5 years	4 - 5 years
Equipment	Up to 20 years	Up to 20 years
Other equipment and vehicles	8 years	8 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.

OKTA AD – SKOPJE

Notes to the financial statements for the year ended 31 December 2020

(all amounts are in MKD unless otherwise stated)

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 Statement of Comprehensive income– is removed from equity and recognised in the Statement of Comprehensive income. 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 Statement of Comprehensive income.

2.6. Assets held for sales

The Company classifies non-current assets held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Assets classified as assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental cost directly attributed to the disposal of an asset. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition or after completion of other process which are considered standard for such types of sales.

2.7. 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.

OKTA AD – SKOPJE

Notes to the financial statements for the year ended 31 December 2020

(all amounts are in MKD unless otherwise stated)

2. Summary of significant accounting policies (continued)**2.8. Trade and other receivables**

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

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

2.9. 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.

2.10. Share capital

Ordinary and preference shares are classified as equity.

2.11. 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.

2.12. 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.

OKTA AD – SKOPJE

Notes to the financial statements for the year ended 31 December 2020

(all amounts are in MKD unless otherwise stated)

2. Summary of significant accounting policies (continued)**2.12. Provisions and contingent liabilities (continued)**

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.

2.13. 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.

a) 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.

b) 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.

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Notes to the financial statements for the year ended 31 December 2020

(all amounts are in MKD unless otherwise stated)

2. Summary of significant accounting policies (continued)**2.13. Income taxes (continued)*****b) Deferred income tax (continued)***

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.

2.14. Employees Benefits***a) Pension and other short-term liabilities to employees***

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.

b) 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.

c) 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.

OKTA AD – SKOPJE

Notes to the financial statements for the year ended 31 December 2020

(all amounts are in MKD unless otherwise stated)

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.

(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.

OKTA AD – SKOPJE

Notes to the financial statements for the year ended 31 December 2020

(all amounts are in MKD unless otherwise stated)

3. Financial risk management (continued)**3.1 Financial risk factors (continued)****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 2020, the Company has no time deposits (2019: nil).

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.

OKTA AD – SKOPJE

Notes to the financial statements for the year ended 31 December 2020

(all amounts are in MKD unless otherwise stated)

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

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.

4. Critical accounting estimates and judgments (continued)

(all amounts are in MKD unless otherwise stated)

4.1. Critical accounting estimates and assumptions (continued)

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.

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 17,659 thousand (2019: MKD 25,017 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 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.

OKTA AD – SKOPJE

Notes to the financial statements for the year ended 31 December 2020

(all amounts are in MKD unless otherwise stated)

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

In 2019, the customs authorities in North Macedonia conducted an audit in OKTA, with regards to excise duties of euro diesel imports, for the fiscal years 2014 - 2018. They are of the opinion that, excise duties related to these imports, were not correctly calculated and they issued relevant decisions for the fiscal year 2014, imposing additional amounts of € 380 K, which were paid in 2020.

The Company filed lawsuits within 2019, initiating administrative disputes, seeking full annulment, on grounds of substantial violations of procedural rules from the customs authorities' side, their failure to completely and correctly establish the facts of the case and to correctly apply substantive laws. As of July until December 2020, the authorities issued new decisions for the fiscal years 2015, 2016 and 2017, imposing additional amounts of € 4.6 million.

As at 31 December 2020 the company recognised a provision of 781.4 million MKD representing the company's best estimate of potential future cash outflows. The Company retains its position that it has acted in full compliance with all relevant laws, also as per expert's opinions received and intends to contest such decision to the ultimate judicial authority including if possible to international jurisdictional forums.

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Notes to the financial statements for the year ended 31 December 2020

(all amounts are in MKD unless otherwise stated)

5. Intangible Assets

2020	MKD
Cost	
Balance as at 1 January 2020	75,627,743
Additions	26,108,742
Assets in construction	731,850
Balance as at 31 December 2020	<u>102,468,335</u>
Accumulated Amortisation	
Balance as at 1 January 2020	60,797,872
Amortisation	7,109,185
Balance as at 31 December 2020	<u>67,907,057</u>
Net book value as at 31 December 2020	<u><u>34,561,278</u></u>
2019	
Cost	
Balance as at 1 January 2019	67,265,148
Additions/advances	8,362,595
Advances	731,850
Balance as at 31 December 2019	<u>76,359,593</u>
Accumulated Amortisation	
Balance as at 1 January 2019	50,162,984
Amortisation	10,634,888
Balance as at 31 December	<u>60,797,872</u>
Net book value as at 31 December 2019	<u><u>15,561,721</u></u>

OKTA AD – SKOPJE

Notes to the financial statements for the year ended 31 December 2020

(all amounts are in MKD unless otherwise stated)

6. Property, plant and Equipment

Year ended on 31 December 2019	Land	Buildings	Machinery and equipment	Construction in progress	Total
Opening amount	247,318,807	3,208,551,155	6,365,019,226	55,027,285	9,875,916,473
Accumulated Depreciation	-	(2,971,607,523)	(5,446,131,753)	-	(8,417,739,276)
Net book value	247,318,807	236,943,632	918,887,473	55,027,285	1,458,177,197

Year ended on 31 December 2020					
Net book value	247,318,807	236,943,632	918,887,473	55,027,285	1,458,177,197
Additions	5	-	-	63,803,055	63,803,060
Transfer for construction in progress	-	32,719,340	55,412,744	(88,132,084)	-
Disposals NPV	-	-	(15,691,887)	-	(15,691,887)
Depreciation	-	(28,780,528)	(140,695,999)	-	(169,476,527)
Impairment of disposals	-	-	14,738,535	-	14,738,535
Net book value as at 31 December 2020	247,318,812	240,882,444	832,650,866	30,698,256	1,351,550,387

OKTA AD – SKOPJE

Notes to the financial statements for the year ended 31 December 2020

(all amounts are in MKD unless otherwise stated)

7. Trade receivables

	2020	2019
Trade receivables domestic	150,233,285	218,532,276
Trade receivables foreign	164,106,163	173,973,448
Provision for impairment of trade receivables	(64,441,553)	(66,075,408)
Total	249,897,895	326,430,316

8. Cash and cash equivalents

	2020	2019
Bank account in in domestic currency	2,414,021,093	2,192,795,410
Bank account in foreign currencies	52,859,801	98,076,561
Cash on hand - in domestic currency	6,000	10,008
Cash on hand – foreign currencies	156	156
Impairment of deposit	(4,819,338)	-
Cash equivalent	4,596,982	4,009,519
Total	2,466,664,694	2,294,891,654

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.

The shareholders structure as at 31 December 2020 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	91,965	91,965	10.87 %
Doo- Makedonski Brod	64,520	64,520	7.62 %
Other 1)	846,360	846,360	100 %

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

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Notes to the financial statements for the year ended 31 December 2020

(all amounts are in MKD unless otherwise stated)

10. Trade payables

	2020	2019
Domestic trade payables	281,797,188	381,991,642
Foreign trade payables	273,007,855	295,186,610
Total	554,805,043	677,178,252

11. Sales

	2020	2019
Sales on domestic market	12,246,868,890	22,028,237,832
Sales on foreign market	3,116,699,421	5,645,588,069
Total Sales	15,363,568,311	27,673,825,901

Responsible person for general
information and explanatory notes

Legal representative person of the
company

