OKTA AD - SKOPJE

Financial Statements

For the year ended 31st December 2021

With Report of the Auditor Thereon

Content

Annual Report of OKTA AD Skopje for the year ended 31st of December 2021

Key achievements

The 2021 despite being stained by the lingering effects from the long-lasting pandemic of COVID – 19, managed to result in a considerable recovery of the economic activities which has led to a growth on a global scale, releasing the pressure and challenges to a certain point in all areas of the business world, with oil sector being no exception. Furthermore, mobility cross border restrictions were loosen up which lead to increased fuel demand especially during the summer period. In particular, the transit tourists traffic frequency exponentially increased during the summer seasonally peak while also the aviation sector was showing signs of slow but steady recovery from the severely adverse effects visible throughout 2020.

OKTAs robust performance for the year ended fully validates the strategy the Company has been implementing with determination and discipline for many years. While successfully delivering growth on full-year volume, top-line growth and higher profitability, the company progress with its transformation programs that is making its organization more agile, reducing its cost base, creating solid grounds for its future performance.

Despite the challenging and competitive environment in which OKTA operates in North Macedonia and Kosovo, OKTA managed to maintain its leadership position in the local market with 62 percent market share and similarly Kosovo with 24 percent market share at year end 2021, leading to an 71 percent increase in the top line at yearend in comparison to 2020.

OKTA's has managed to maintain sufficient liquidity for risk management purposes to face the COVID – 19 crises, while at the same time allowed the company to undertake commercial opportunities and support the company's strategy without utilizing any credit lines.

The main projects in 2021 were:

- Fuel storage maintenance and improvements;
- Unloading and Loading Installation upgrades;
- Applied all developed health and safety measures and procedures for protection from the Covid-19;
- Managed to renew the COVID Shield certificate;
- 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 2021, OKTA made significant contributions to the society in which it operates, by implementing the meaningful CSR initiatives, such as:

- Donation of 1300 rapid tests for detection of SARS-CoV-2 virus, intended for the Clinic for Infectious Diseases in Skopje.
- In cooperation with the Foundation "Step by step", as part of the project "Be IN, be INclusive, be INcluded", OKTA has supported the construction of 3 outdoor inclusive playgrounds in: Elementary school "Lazo Angelovski" in Skopje, Elementary school "Brakja Miladinovci" in Struga and in the Elementary school "Kocho Racin" in Dojran.

- Five scholarships for postgraduate studies were awarded to students for four different faculties at the St. Cyril and Methodius University in Skopje.
- Signed Memorandum of Cooperation with the National Union of the blind, in order to support the visually impaired by facilitating their mobility in the traffic, through a donation of 50 devices for sound signaling of pedestrian crossings awarded to the City of Skopje.
- Donation for the campaign "Think of us" organized by the Red Cross on the occasion of the World Hunger Day.
- Donation to the Citizens' Association that supports people with rare disease Wilson in order to provide reagents necessary for medical examinations related to the disease, as well as for improving the expertise of the medical staff in the country.
- Donation of New Year gifts for the children from the elementary schools located in OKTA's surrounding.
- Red Cross organization within OKTA organizes blood donation actions three times a year where a large number of company's employees participate.

Moreover, OKTA brand was engaged in the following sponsorship activities:

- Main sponsor of the men's senior national basketball team in the qualifications for 2023 FIBA Basketball World Cup.
- Support of the latest movie by Milcho Manchevski entitled "Kaymak".
- Support of cultural activities by sponsoring the renowned music festivals such as Ohrid Summer Festival, Skopje Jazz Festival and OFFest.
- Support of the first annual Skopje Economic Forum.
- Support of the Men's Basketball Club EURONIKEL 2005, Kavadarci.

Company operations and market environment

The company has marked 2021 with high profitability reaching pre-crisis levels, harvesting the positive effect from the improved operating performance, coupled with the sales over-performance both on domestic and export market.

Key highlights in 2021

- Hence, EBITDA reached 839 million MKD higher compared to the adjusted EBITDA of 630 million MKD generated in the same period last year, driven by the excellent sales performance, the efficient inventory management allowing uninterrupted sales to its customers, in a period with many uncertainties; and the continuous increase of the international oil prices
- Sales revenue standing at 26,136 million MKD for the 12 months of 2021, overlapping the 15,364 million MKD of the same period last year being the result of a gradual rebound in demand and the increase of international fuel prices.
- Gross margin being on the same pace, reached 1,377 million MKD during 2021, exceeding the 981 million MKD of the same period LY, positive affected by the volumes increase and the continuous rise of the international fuel prices.
- Profit before tax, on a YTD level reached 453 million MKD, overlapping the 553 million MKD losses generated during the same period last year. The performance of 2020 was negatively affected by a provision of 781.4 million MKD booked on the ongoing custom case. A provision on the same case was booked in Q4 2021 in amount of 194 million MKD affecting the company's Full Year performance.

- Profit Before Tax, adjusted for the aforesaid provision reach 647 million MKD for 2021 as compared to 228 million MKD of adjusted relevant performance of 2020. A performance increase driven by increased sales volumes, increased income from state reserves volumes accommodated at the company's facilities, the enhanced operational efficiencies achieved, coupled by the positive effect from the upward movement of the international fuel prices.
- The company, following on its strategic priorities, invested 79,331 million MKD during 2021 in maintenance of its storage capacities and health and safety initiatives.

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 23.4 million MKD, 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 December 2021, the authorities issued new decisions for the fiscal years 2015, 2016 2017 and 2018, imposing additional amounts of 830 million MKD, against which the company is filling lawsuits.

As at 31 December 2021 the company recognized a provision of 954 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 intents to contest such decision to the ultimate judicial authority including if possible to international jurisdictional forums.

Company Outlook for 2022

The long-term goal of OKTA is to remain the market leader by providing high-quality products to clients in the markets where it operates.

The company's strategic plan for 2022 focuses on sustaining the sale performance on both markets, while continuing digitalization projects with the goal of increasing operational efficiency through automation, cost optimization measures, and operational improvements. The company will revisit its further opportunities both domestically and within the region, in the event the pipeline re-opens.

The Company's priorities in 2022 are:

- As the epidemic continues, to maintain strict health and safety standards, reinforcing its commitment to protect its staff, and customers while also ensuring that customer service is unaffected.
- Maintaining its domestic and export market share in a highly competitive environment;
- Strengthening of the co-operation with key customers;
- Ensure availability of needed tank capacities to foster for increasing state reserves tenders;
- Maintaining the New Pricing Policy and focusing on customer's volume consistency;
- Increasing return on capital employed;
- Continuously explore investment opportunities for new revenue streams by enhancing 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, hiring and developing talent for the future;

- Further optimization and restructuring of the organizational structure;
- Cultivating Future Leaders;
- Exploring Retail Network Development opportunities;
- Continue to push for the deployment of new technologies and automations, promoting efficiency gains by leveraging the HELPE group's resources; Increase value of the shareholders;
- Maximize synergies being a member of a leading Energy group in the region.

Any macro-environmental circumstances, such as the reopening of the pipeline and the implementation of the new energy law, could, nevertheless, have an impact on the aforementioned goals.

Furthermore, OKTA's management keeps a close eye on the challenging environment and, through proactive planning, moves the company forward by seizing the various opportunities that arise with a view to the further enhancement of its business performance and improvement of its efficiency.

During 2021 OKTA:

- Invested a total of MKD 79 million - MKD 48 million was directed into installations infrastructure, MKD 1.8 million into renewable energy related projects, MKD 4 million into IT and ERP related projects, MKD 9.2 million into security & Firefighting safety upgrades, MKD 0.8 million into administrative related projects and MKD 15.4 million related to investments in our retail network;
- Entered into transactions with related parties, as presented in Note 28 of the Financial Statements for the year ended 31 December 2021;
- Did not enter into any interested party transactions as of year ended 31 December 2021;
- Did not have any long term debt, therefore applied no policy that links long term debt and share capital;
- 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.
- Has not acquired any own (treasury) shares.
- The catalyst listed in its Balance sheet as asset held for sale was partially sold in May 2021 for MKD 163 million. The remaining part of the catalyst was written down to their fair value less estimated costs to sell by MKD 3.4 million.
- Followed its risk management policy as depicted in Note 3 of the yearly Financial Statements and faced no significant issues;
- On 27th of May 2021 the General Assembly of OKTA's Shareholder approved the distribution of dividend of a total amount of 61,784,280 MKD or 73 MKD (in absolute amount) per share;
- Paid to the executive Board member the amount of MKD 5.3 million in the form of gross salaries and other benefits in amount of MKD 1.2 million. It also paid the non-executive Board members the total amount of MKD 6.5 million as compensation approved of 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.

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

Vuk Radovic

Chief Executive Officer

Рафинерија на нафта ОКТА Скопје 1 Акционерско друштво

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

CORPORATE GOVERNANCE STATEMENT[1]

OKTA is a joint stock company listed at the mandatory trading tier on the Macedonian Stock Exchange ("MSE").

On 01 November 2021, OKTA met the criteria stipulated by the MSE Listing Rules[2], for applying the MSE Corporate Governance Code.[3]

The MSE Corporate Governance Code entered into force on 26 October 2021. OKTA hereby emphasis the timing constrains to retroactively review, assess and report on its corporate practices from 01 January 2021 to 31 December 2021 under the MSE Corporate Governance Code. Furthermore, as the obligation to report on application of the MSE Corporate Governance Code is optional for 2021 business year, OKTA hereby gives this statement in accordance with the cited article 384-a of the Law on Trade Companies.

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 corporate governance code. OKTA has internal by-laws in relation to corporate governance matters within the authority of the Board of Directors.

OKTA will report on application of the corporate governance practices under the MSE Corporate Governance Code by applying the "comply or explain" principle, in accordance with the conditions and the deadlines prescribed in the Listing Rules, within the annual report on the operation of the company, as stipulated with the mandatory legal requirements.

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[1] Corporate governance statement is an integral part of OKTA's annual report for 2021 business year.
[2] https://www.mse.mk/mk/content/21/1/2008/listing-rules
[3] https://www.mse.mk/mk/content/14/10/2021/corporate-governance-code

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INDEPENDENT AUDITOR'S REPORT

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

Report on 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 2021 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 thousand as at 31 December 2021 (31 December 2020: 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 174.752 thousand as at 31 December 2021 (31 December 2020: MKD 161.679 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 2021 and 31 December 2020 were necessary. Our audit opinion on the financial statements for the year ended 31 December 2020 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 2021 the Company recognised a provision of 953.7 million MKD (2020: 781.4 million) 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 to the stated amounts as at 31 December 2021 and 31 December 2020 and the respective effects in the income statement for both years were necessary. Our audit opinion on the financial statements for the year ended 31 December 2020 was modified accordingly.

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 2021 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 2021. 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 2021 on which we expressed a qualified opinion in the above section "Report on the Financial Statements".

ЕРНСТ И ЈАНГ - ОВЛАСТЕНИ РЕВИЗОРИ ДОО СКОПЈЕ

Vladimir Sokolovski
General Manager

Danica Ganceva
Certified Auditor

Ernst & Young Certified Auditors Ltd.
Skopje, March 31, 2022

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

Statement of comprehensive income

	Note	Year ended 31st December 2021	2020
Sales	5	26,135,989	15,363,568
Cost of goods sold	6	(24,759,288)	(14,382,337)
Gross profit		**1,376,701**	**981,231**
Operations and logistics expenses	7	(434,833)	(409,765)
Administrative expenses	8	(174,587)	(242,661)
Sales and distribution expenses	9	(84,971)	(95,154)
Other operating income	10	21,950	18,473
Change in value of assets held for sale	22	-	(2,779)
Other operating expenses	11	(228,886)	(815,247)
Operating profit/(loss)		**475,374**	**(565,902)**
Finance income	12	3,665	20,194
Finance costs	12	(25,562)	(7,532)
Finance income/(costs) – net		**(21,897)**	**12,662**
Profit/(Loss) before income tax		**453,477**	**(553,240)**
Income tax expense	13	(75,284)	32,658
Profit/(Loss) for the year		**378,193**	**(520,582)**
Other comprehensive income			
Change in employee benefits obligations		(1,372)	(573)
Change in value of available-for-sale financial assets		1,093	(1,035)
Total other comprehensive profit		**(279)**	**(1,608)**
Total comprehensive profit/(loss) for the year		**377,914**	**(522,190)**
Earnings per share information:			
Basic and diluted profit per share	14	**0.45**	**(0.62)**

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

Statement of financial position

	Note	As at 31st December 2021	2020
ASSETS			
Non-current assets			
Intangible assets	15	42,886	34,561
Property, plant and equipment	16	1,267,431	1,351,550
Available-for-sale financial assets	17	16,204	15,111
Deferred tax assets	18	5,557	36,488
Total non-current assets		**1,332,078**	**1,437,710**
Current assets			
Inventories	19	668,446	514,475
Trade receivables	20	180,944	249,898
Other receivables	20	868,687	847,684
Income tax receivables	20	-	32,297
Cash and cash equivalents	21	3,527,750	2,466,665
Assets held for sale	22	3,455	152,148
Total current assets		**5,249,282**	**4,263,167**
TOTAL ASSETS		**6,581,360**	**5,700,877**
EQUITY AND LIABILITIES			
Equity			
Share capital		2,472,820	2,472,820
Statutory reserves		494,718	494,718
Revaluation and other reserves		424,133	424,412
Retained earnings		971,654	655,246
Total equity	23	**4,363,325**	**4,047,196**
Non-current liabilities			
Provision for employee benefit obligations	24	14,982	14,220
Total non-current liabilities		**14,982**	**14,220**
Current liabilities			
Trade payables	25	727,364	554,806
Other current liabilities including provisions	25	1,437,817	1,084,655
Current income tax payable	25	37,872	-
Total current liabilities		**2,203,053**	**1,639,461**
TOTAL LIABILITIES AND EQUITY		**6,581,360**	**5,700,877**

The financial statements of OKTA AD – Skopje were authorised for issue by the Management on 17th February 2022 and will be subject of approval by the Board of Directors on 24th February 2022. 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

(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 2020	**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**
Net profit for 2021	-	-	-	378,193	**378,193**
Valuation of AFS	-	-	1,093	-	**1,093**
Comprehensive income	-	-	(1,372)	-	**(1,372)**
Total comprehensive income	**2,472,820**	**494,718**	**424,133**	**1,033,439**	**4,425,110**
Dividend declared	-	-	-	**(61,785)**	**(61,785)**
Balance at 31st December 2021	**2,472,820**	**494,718**	**424,133**	**971,654**	**4,363,325**

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

Statement of cash flows

	Year ended 31st December	
	2021	**2020**
Operating activities		
Profit/(Loss) before tax	**453,476**	**(553,240)**
Adjustments for:		
Depreciation and amortization	155,153	176,586
Impairment charges and provisions	(14,256)	2,779
Disposal of assets	-	680
Interest income	(3,665)	(4,786)
Interest expense and bank charges	13,033	7,532
Cash generated from operations before changes in working capital	**603,741**	**(370,449)**
Cash flow from operating activities		
(Increase)/Decrease in inventories	(153,971)	157,300
Decrease in receivables	47,951	84,748
Decrease/(Increase) in income tax receivables	69,947	(32,297)
increase in payables	525,710	578,699
Cash generated from operations	**1,093,378**	**418,001**
Interest and bank charges paid	(13,033)	(7,532)
Income taxes paid	(6,481)	(33,283)
Net cash generated from/(used in) operating activities	**1,073,864**	**377,186**
Cash flow from investing activities		
Acquisition of property, plant and equipment	(37,362)	(88,991)
Sales of property, plant and equipment	81,949	1,230
Interest received	3,665	4,786
Bank Deposits	-	-
Net cash used in investing activities	**48,252**	**(82,975)**
Cash flow from financing activities		
Paid dividends	(61,445)	(122,852)
Received dividends	414	414
Net cash used in financing activities	**(61,031)**	**(122,438)**
Net increases in cash and cash equivalents	**1,061,085**	**171,773**
Cash and cash equivalents at 1st January	2,466,665	2,294,892
Cash and cash equivalents at 31st December (note 21)	**3,527,750**	**2,466,665**

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 2021, the Company had 268 employees (2020: 274 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 17th February 2022 and will be subject of approval by the Board of Directors on 24th February 2022. 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, 290/2020 and 215/2021) 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.

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.

Covid-19 continues to heighten the inherent uncertainty in the Company's assessment of these factors. In particular, risks to economic growth persist principally from the potential impact that potential Covid-19 variants may have on economic activity. Further risks to economic recovery may inter-alia arise from, rising inflation and monetary policies implemented by central banks impacting interest and exchange rates expectations, prolongation of global supply issues and the European energy crisis. Nevertheless, the roll out of the mass vaccination schemes launched by governments during 2021 positively affected the severity of infections in terms of hospitalizations and symptoms experienced; consequently worldwide restrictions to mobility have been relaxed to a large extent with some governments lifting the entirety of restrictions in early 2022. Equally, worldwide economic recovery accelerated particularly in the second half of 2021 and is forecasted to continue in 2022. The increase in economic activity positively impacted demand for fuels and benchmark margins. Conversely the higher demand for energy, particularly in Europe, is considered a key factor for the increase in the price of natural gas, electricity and the cost of CO_2 emissions rights which are significant cost components in the refining process.

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).

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

2. Summary of significant accounting policies (continued)

2.3. Foreign currency translation (continued)

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)".
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 2021 and 31st December 2020 were as follows:

Exchange rate:	31st December 2021	31st December 2020
	MKD	MKD
EUR	61.63	61.69
USD	54.37	50.24
GBP	73.43	67.90

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 obsoleteness 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.

(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

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

The depreciation of property, plant and equipment shall start after expiration of the month of the start-up in the year in which the utilization of the property, plant and equipment has started. The following represent the range of the estimated useful lives applied to items of property, plant and equipment:

	2021	2020
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.

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.

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.

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.

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.

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 Covid -19: In 2021 although the North Macedonian economy continued to be affected by Covid -19, it rebounded considerably from the outbreak of the pandemic in 2020, primarily driven by the increased domestic demand and the better-than-expected tourist-transit season. The recovery has been also supported by the gradual relaxation of the strict measures imposed during the previous year and the vaccination programs which are in progress and have already prevented the more severe impact from the new virus variants

Although economic growth is projected to continue in 2022, albeit at a lower pace, the latest Omicron variant - related challenges and possible new Covid-19 outbreaks may have a negative impact on the growth of the economy and overall business activities, particularly in the first half of the year, which cannot be estimated reliably. While a further rise in Covid -19 infections or a slow rate of vaccinations could lead to additional restrictive measures, which could negatively affect current growth projections and hinder the progress, the recently approved medicines for treating Covid -19 are expected to lessen the impact of Covid -19.
The Company immediately responded to the outbreak of the pandemic and already from March 2020, took various initiatives to this end primarily focusing on ensuring the health and safety of its employees and all of its stakeholders operating or visiting the Company's premises, as well as the smooth operation of its activities and uninterrupted supply of our markets.
These initiatives include:

- Adopting a timely and successful new remote working model (teleworking) where possible, remotely supporting information systems and modifying shift programs.
- Utilizing digital technology and upgrading teleworking infrastructures.
- Drafting a Policy with frequent revisions based on developments and instructions from the State, addressing how to prevent and manage issues arising from the Covid -19 pandemic, including detailed prevention guidelines and testing response under various scenarios, planning for and implementing procedures for handling any suspected Covid -19 cases.
- Continuously keeping employees up to date, along with ongoing health support (increase of its medical network, participation of an infectious disease specialist, psychological support line, regular publication of special newsletter).
- Conducting in total over 206.000 PCR and rapid tests on the Group's employees and associates in 2021.
- Regular disinfection in all workplaces and appropriate disposal of personal protection equipment (PPE).

Management will continue to monitor the situation closely and will assess any potential further impact on the Company's financial position and performance, including the recoverable amount of its investments, in case the period of disruption becomes prolonged.

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:

2021	MKD	EUR	USD	GBP
Assets				
Cash and cash equivalents	3,470,626	35,968	21,156	-
Trade receivables and other current financial assets	920,146	83,026	46,459	-
Total assets	**4,390,772**	**118,994**	**67,615**	
Liabilities				
Trade payables	421,345	126,734	179,092	193
Other current liabilities	1,475,689	-	-	-
Total liabilities	**1,897,034**	**126,734**	**179,092**	**193**
Net balance sheet exposure	**2,493,738**	**(7,740)**	**(111,477)**	**(193)**

2020	MKD	EUR	USD	GBP
Assets				
Cash and cash equivalents	2,413,805	49,926	2,934	-
Trade receivables and other current financial assets	951,392	131,470	14,720	-
Total assets	**3,365,197**	**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	**1,998,745**	**68,868**	**(142,685)**	**(142)**

The Company realized more purchases in USD than sales. At 31st December 2021, if USD would have been 1% (2020: 1%) weaker or stronger against MKD profit would have been MKD 1,115 thousand (2020: MKD 1,427 thousand) after tax in net balance higher or lower, respectively.
The Company realized more purchases in EUR than sales. At 31st December 2021, if EUR would have been 1% (2020: 1%) weaker or stronger against MKD profit would have been MKD 77 thousand (2020: MKD 689thousand) 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 2021, the Company has no time deposits (2020: 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 2021 and 31st December 2020:

	2021	**2020**
Cash and cash equivalents	3,527,750	2,466,665
Trade receivables	180,944	249,898
Other receivables	868,687	879,981
	4,577,381	**3,596,544**

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

The receivables are summarized as follows:

	31st December 2021		**31st December 2020**	
	Trade receivables - domestic	Trade receivables - foreign	Trade receivables - domestic	Trade receivables – foreign
Neither past due nor impaired	49,610	129,443	96,156	146,169
Past due but not impaired	1,849	42	7,552	21
Impaired	46,525	19,351	46,525	17,916
Gross	**97,984**	**148,836**	**150,233**	**164,106**
Less: allowance for impairment	(46,525)	(19,351)	(46,525)	(17,916)
Net	**51,459**	**129,485**	**103,708**	**146,190**

Trade receivables of MKD 1,891 thousand (2020: MKD 7,573 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 2021			
Trade payables	564, 594	-	162,770
Other current liabilities	1,475,689	-	-
	2,040,283	**-**	**162,770**
At 31st December 2020			
Trade payables	393,048	-	161,758
Other current liabilities	1,084,655	-	-
	1,477,703	**-**	**161,758**

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. 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 2021:

	Carrying amount	**Fair Value**
Cash and cash equivalents	3,527,750	3,527,750
Trade receivables	180,944	180,944
Other current financial assets	868,687	868,687
	4,577,381	**4,577,381**

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**

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 15,515 thousand (2020: MKD 17,659 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

	2021	2020
Sales on domestic market	20,128,785	12,246,869
Sales on foreign market	6,007,204	3,116,699
	26,135,989	**15,363,568**

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

6. Cost of goods sold

	2021	2020
Cost of traded goods	24,733,736	14,364,047
Manipulation and shrinkage expenses	25,552	18,290
	24,759,288	**14,382,337**

7. Operations and logistics expenses

	2021	2020
Depreciation and amortization	137,816	140,796
Gross salaries and wages	150,703	148,638
Electricity	24,141	17,842
Other fixed cost	21.339	7,806
Insurance expenses	46,326	48,442
Maintenance expenses	13,393	7,413
Personnel related expenses	19,378	14,454
Own consumption of fuels	1,883	1,481
Miscellaneous expenses	17,892	22,260
Redundancy expenses	1,120	-
Telecommunication expenses	564	416
Office supplies expenses	278	217
	434,833	**409,765**

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

	2021	2020
Gross salaries and wages	62,912	77,682
Miscellaneous expenses	55,497	67,249
Depreciation and amortization	12,949	20,815
Other fixed cost	9,749	20,510
Public relation and advertising expenses	13,807	10,153
Rental expenses	5,913	5,808
Personnel related expenses	5,233	7,000
Insurance expenses	5,974	6,410
Maintenance expenses	982	1,264
Business travel	278	210
Redundancy expenses	-	24,688
Telecommunication expenses	1,115	668
Office supplies expenses	178	204
	174,587	**242,661**

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

	2021	2020
Gross salaries and wages	36,537	34,120
Miscellaneous expenses	20,708	19,995
Depreciation and amortization	4,388	14,975
Maintenance expenses	466	-
Other variable expenses	3,355	2,670
Personnel related expenses	1,780	1,391
Transportation expenses	1,676	697
Other fixed cost	9,012	14,426
Rental expenses	1,035	1,475
Public relation and advertising expenses	3,217	2,849
Dues and subscriptions	8	16
Insurance expenses	2,030	2,121
Office supplies expenses	239	161
Telecommunication expenses	520	258
	84,971	**95,154**

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

	2021	2020
Income from prior years	16,633	11,409
Income from subventions	197	86
Income from sales of electricity	4,584	5,418
Collected written off receivables	122	108
Dividend income	414	414
Income from sale of fixed assets	-	1,038
	21,950	**18,473**

11. Other operating expenses

	2021	2020
Provision for legal cases	199,412	781,348
Impairment of spare parts and consumables	-	614
Impairment of assets	-	4,395
Waste treatment expenses	4,433	2,859
Net book value of disposed fixed assets	-	680
Cost of traded electricity	5,714	4,829
Other expenses	-	3,209
COVID-19 related expenses	19,327	17,313
	228,886	**815,247**

The Coronavirus (COVID-19) was confirmed by the World Health Organization in the early 2020s and its variants thereon are spread in wave's worldwide, causing disruption to normal business activities. As the situation develops initially during 2020 and continuously thereon, the management of the company 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 19,327 thousands of MKD (2020: 17,313) are recognised. These expenses include materials for safety, Covid tests, expenses for disinfection etc.

12. Finance income and costs

	2021	2020
Foreign exchange gain, net	-	15,408
Interest income	3,665	4,786
Finance income	**3,665**	**20,194**
Foreign exchange loss, net	(12,529)	-
Interest expenses	(576)	(200)
Bank charges	(12,457)	(7,332)
Finance costs	**(25,562)**	**(7,532)**
Net finance income / (costs)	**(21,897)**	**12,662**

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

13. Income tax expense

Recognized in the statement of comprehensive income:

	2021	2020
Current tax expense		
Current year	(44,354)	31,830
Deferred tax expense		-
Increase/ (decrease) in deferred tax assets	*(30,930)*	*828*
Total income tax in the statement of comprehensive income	**(75,284)**	**32,658**

	2021	2020
Profit before tax/(Loss)	453,477	(553,240)
Expenses non tax deductible according to local regulations	311,861	234,938
Dividends received	(414)	-
Tax loss carries forward	(318,302)	-
	446,622	(318,302)
Tax charge at 10% before tax exemption	**44,662**	**(31,830)**
Tax exemption for donations in sport	(308)	-
Current year tax charge	**44,354**	**(31,830)**

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 2021) 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 2020 was nil and deferred tax were calculated and recorded in the statement of comprehensive income (see note 2.13) for 2020 and 2021.

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

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.

	2021	2020
Profit/(Loss) for the year	378,193	(520,582)
Profit/(Loss) to ordinary equity holders	**378,193**	**(520,582)**
Weighted average number of ordinary shares in issue:	846,360	846,360

Weighted average shares of the Company during 2021 was 846,360 (2020: 846,360). OKTA has no preference shares.

15. Intangible Assets

	Software and other rights	
	2021	**2020**
Cost		
Balance as at 1 January	102,468	75,628
Additions	16,452	26,108
Software under construction	356	732
Balance as at 31 December	**119,276**	**102,468**
Accumulated Amortisation		
Balance as at 1 January	67,907	60,798
Amortisation	8,483	7,109
Balance as at 31 December	**76,390**	**67,907**
Net book value as at 31 December	***42,886***	***34,561***

(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 2021					
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 2021					
Opening net book amount	**247,319**	**240,882**	**832,651**	**30,698**	**1,351,550**
Additions				62,551	62,551
Disposals	-	(3,487)	(25,174)	-	(28,661)
Transfer from construction in progress	-	5,322	17,020	(22,342)	-
Disposals depreciation	-	3,487	25,174	-	28,661
Depreciation charge		(28,111)	(118,559)	-	(146,670)
Closing net book amount	**247,319**	**218,093**	**731,112**	**70,907**	**1,267,431**
At 31 December 2021					
Cost	247,319	3,243,105	6,396,559	70,907	9,957,890
Accumulated depreciation	-	(3,025,012)	(5,665,447)	-	(8,690,459)
Net book amount	**247,319**	**218,093**	**731,112**	**70,907**	**1,267,431**
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**

Out of total depreciation and amortisation expense (of the tangible and intangible assets) amount of MKD 137,816 thousands (2020: MKD 140,796 thousands) has been charged in Operations and logistic expenses, MKD 12,949 thousands (2020: MKD 20,815 thousands) in administrative costs and MKD 4,388 thousands (2020: MKD 14,975 thousands) in selling and distribution expenses.

(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 2021. 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 4.5% (6.2% for 2020) on a post-tax basis. The valuation model has not suggested any impairment and hence no impairments have been recorded as of 31st December 2021 or as at 31st December 2020. 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 4.5% WACC.

17. Available-for-sale financial assets

	2021	2020
At 1st January	15,111	16,146
Additions	-	-
Disposals	-	-
Net (loss) gains transferred to revaluation reserves	1,093	(1,035)
At 31st December	**16,204**	**15,111**

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

	2021	2020
Investments in companies	16,204	15,111
	16,204	**15,111**

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.

	2021	2020
Deferred tax asset:		
Deferred income tax assets to be recovered after more than 12 months	5,557	36,488
Deferred income tax assets to be recovered within 12 months	-	-
Deferred income tax asset	**5,557**	**36,488**

18. Deferred income tax assets (continued)

Movement in temporary differences during the year

In thousands of denars	Balance 1 January 2021	Utilized Deferred income tax asset	Recognized in income	Balance 31 December 2021
Loss carried forward	31,830	(31,830)	-	-
Depreciation of assets	4,658	-	899	5,557
	36,488	**(31,830)**	**899**	**5,557**

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

	2021	**2021**
Trade goods	648,413	494,656
Spare parts and tools and consumables stores	20,033	19,819
	668,446	**514,475**

20. Trade and other receivables

Carrying amount of trade receivables is presented as follows:

	2021	**2020**
Trade receivables domestic	97,984	150,233
Trade receivables foreign	148,836	164,106
Trade receivables – gross	**246,820**	**314,339**
Provision for impairment of trade receivables	(65,876)	(64,441)
Total trade receivables	**180,944**	**249,898**

(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:

	2021	2020
Trade receivables - domestic	97,984	150,073
Trade receivables - foreign	148,705	164,106
Domestic receivables from related parties (note 28)	-	160
Foreign receivables from related parties (note 28)	131	-
Less: Provision for impairment	(65,876)	(64,441)
Trade receivables – net	**180,944**	**249,898**
Receivable from Escrow account	769,497	769,497
Prepaid expenses	83,126	70,190
Advance payments	15,985	3,499
Income tax receivables	-	32,297
Other short term receivables	78	3,142
VAT receivables	-	1,356
Other receivables	**868,687**	**879,981**
	1,049,631	**1,129,879**

Receivables from related parties represent receivables from Jugopetrol (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:

	2021	2020
Not past due	179,046	242,325
less than 30 days	920	6,390
30 to 90 days	314	327
90 days to 1 year	664	856
Over 1 year	65,876	64,441
Total gross receivables	**246,820**	**314,339**

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

	2021	2020
At 1st January	64,441	66,075
Provision for receivables impairment	-	-
Collected receivables	-	-
Written off receivable	-	-
FX difference	1,435	(1,634)
At 31st December	**65,876**	**64,441**

(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:

	2021	2020
Over 1 year	65,876	64,441
Over 180 days	-	-
	65,876	**64,441**

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

	2021	2020
MKD	51,459	103,708
EUR	83,026	131,470
USD	46,459	14,720
	180,944	**249,898**

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

	2021	2020
MKD	856,200	879,981
	856,200	**879,981**

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

	2021	2020
Bank accounts in domestic currency	3,470,915	2,414,021
Bank accounts in foreign currency	57,125	52,860
Cash on hand	7	6
Other cash and cash equivalents	4,487	4,597
Impairment of cash	(4,784)	(4,819)
	3,527,750	**2,466,665**

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

	2021	2020
MKD	3,470,626	2,413,805
EUR	35,968	49,926
USD	21,156	2,934
	3,527,750	**2,466,665**

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

22. Assets held for sale

	2021	2020
Property, plant and equipment	3,455	152,148
	3,455	**152,148**

The assets held for sale were written down to their fair value less estimated costs to sell during 2022. 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 2020 and 2021, main part of the catalyst was sold, and reassessment of the sales value was performed as at 31 December 2021.

23. Capital and reserves

a) Shares

The total authorised number of ordinary shares is 846,360 shares value of EUR 51.12 per share (2020: 846,360 ordinary shares with EUR 51.12 par value). All issued shares are fully paid.

The shareholders structure as at 31 December 2021 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 2021 is MKD 61,445 thousand (2020: 122,852). Dividends declared and paid for the year ended 31 December 2021 entirely relate to cash dividends on ordinary shares. There are no other declared dividends.

Declared and paid during the period ended 31 December 2021
Final dividend from retained earnings:

Declared:	61,785
Paid from declared dividend during 2021:	61,393
Paid from declared dividend in previous years:	52
Total paid	**61445**

(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 2021 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

	2021	2020
Retirement benefit obligations and jubilee awards	14,982	14,220
	14,982	**14,220**

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 2021 and 2020.

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

24. Employee benefits obligations (continued)

	2021	2020
Amounts recognised in Balance sheet		
Present value of obligations	14,982	14,220
Fair value of plan assets	-	-
Net Liability/ (Asset) in Balance Sheet	**14,982**	**14,220**
Amounts recognized in Profit and Loss		
Service cost	734	518
Net interest on the net defined benefit liability/ (asset)	403	324
Recognition of actuarial (gain)/Loss	182	-
Regular P&L charge	**1,319**	**842**
Settlement/ Curtailment/ Termination loss/ (gain)	1,144	22,773
Total P&L Charge	**2,463**	**23,615**
Reconciliation of benefit obligation		
Defined Benefit Obligation at start period	14,220	10,638
Service cost	734	518
Interest cost	403	324
Past service cost	261	4,392
Benefits paid directly by the Company	(3,408)	(2,220)
Settlement/ Curtailment/ Termination loss (gain)	1,400	-
Actuarial (gain)/loss- experience	1,372	568
Defined benefit obligation at end of period	**14,982**	**14,220**
Movements in Net Liability/ (Asset) in Balance Sheet		
Net Liability/ (Asset) in Balance Sheet at the beginning of the period	14,220	10,638
Benefits paid directly	(3,408)	(25,460)
Total expense recognised in the income statement	1,372	28,469
Total amount recognised in the Other comprehensive income	2,798	573
Net Liability/ (Asset) in Balance sheet	**14,982**	**14,220**
Assumptions		
Discount rate	2.2%	3%
Price inflation	2.5%	1.5%
Rate of compensation increase	2.5%	1.5%
Plan duration	6.22	12.87

(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:

	2021	2020
Domestic trade payables	421,344	281,797
Foreign trade payables	306,020	273,009
	727,364	**554,806**

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

	2021	2020
Domestic trade payables	421,344	281,797
Foreign trade payables	26,784	2,653
Foreign payables from related parties	116,466	108,598
Foreign trade payables prior acquisition	162,770	161,758
Trade payables	**727,364**	**554,806**
Advances received	193,283	58,271
Excise taxes payable	206,802	199,127
Salaries and wages	11,214	9,612
Personal income tax and contributions	5,727	4,867
Withholding tax	50	282
Provision for court cases	3,636	3,660
Accrued liabilities	58,474	46,538
Provisions on other litigations (Note 29)	953,733	760,229
Income tax payables	37,872	-
VAT liabilities	4,898	-
Other	-	2,069
Other current liabilities	1,475,689	**1,084,655**
	2,203,053	**1,639,461**

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:

	2021	2020
MKD	421,344	281,797
GBP	193	142
USD	179,092	160,339
EUR	126,734	112,528
	727,363	**554,806**

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

	2021	2020
MKD	1,475,689	1,084,655
	1,475,689	**1,084,655**

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

26. Expenses by nature

	2021	2020
Cost of traded goods	24,733,736	14,364,047
Gross salaries and wages	250,152	260,440
Provision for legal cases	199,412	781,348
Depreciation and amortization	155,153	176,586
Miscellaneous expenses	94,097	109,504
Insurance expenses	54,330	56,973
Other fixed cost	40,100	42,742
Personnel related expenses	26,391	22,845
Manipulation and shrinkage expenses	25,552	18,290
Electricity	24,141	17,842
COVID-19 related expenses	19,327	17,313
Public relation and advertising expenses	17,024	13,002
Maintenance expenses	14,841	8,677
Rental expenses	6,948	7,283
Cost of traded electricity	5,714	4,829
Waste treatment expenses	4,433	2,859
Other variable expenses	3,355	2,670
Telecommunication expenses	2,199	1,342
Own consumption of fuels	1,883	1,481
Transportation expenses	1,676	697
Redundancy expenses	1,120	24,688
Office supplies expenses	695	582
Business travel	278	210
Dues and subscriptions	8	16
Impairment of assets	-	4,395
Impairment of spare parts and consumables	-	614
Net book value of disposed fixed assets	-	680
Other expenses	-	3,209
Impairment of assets held for sale	-	2,779
	25,682,565	**15,947,943**

27. Employee related expenses

	2021	2020
Salaries and wages	151,013	163,717
Contributions and taxes	76,329	77,812
Other benefits	22,810	18,911
	250,152	**260,440**

	2021	2020
Average number of employees	268	305

(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

Sales of services	**2021**	**2020**
Vardax S.A.	648	839
Jugopetrol A.D.	9,431	70
	10,080	**909**

Purchases of goods and services

Purchases of trading goods	**2021**	**2020**
Hellenic Petroleum S.A.	23,947,980	13,544,931
HFL S.A.	-	-
	23,947,980	**13,544,931**

Purchases of services	**2021**	**2020**
Hellenic Petroleum S.A.	17,476	17,408
ELPE International consulting	-	9,254
Asprofos S.A.	5,971	-
HFL S.A.	5,458	6,069
EKO Bulgaria	42	40
	28,947	**32,771**

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

28. Related party transactions (continued)

Receivables arising from sale of services	**2021**	**2020**
Vardax S.A.	-	160
Jugopetrol A.D.	131	-
	131	**160**

Outstanding balances arising from purchase of goods/services

Payables arising from purchase of raw materials and goods	**2021**	**2020**
Hellenic Petroleum S.A.	109,654	103,043
	109,654	**103,043**

Payables arising from purchase of services	**2021**	**2020**
HFL S.A.	447	454
Hellenic Petroleum S.A.	3,247	2,605
ELPE International consulting	-	2,082
Asprofos S.A.	3,098	374
EKO Bulgaria	-	40
	6,792	**5,555**

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:

	2021	**2020**
Salaries	28,327	33,025
Taxes and contributions	9,090	10,066
Other benefits	4,208	4,473
	41,625	**47,564**

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 1,839,417 thousand as at 31 December 2021 (2020: MKD 1,301,075 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 440,450 thousand as at 31 December 2021 (2020: 372,696).

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 23.4 million MKD or EUR 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 December 2021, the authorities issued new decisions for the fiscal years 2015, 2016 2017 and 2018, imposing additional amounts of 830 million MKD.
As at 31 December 2021 the company recognized a provision of 954 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 intents 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:

	2021	2020
No later than 1 year	12,810	9,251
Later than 1 year and no later than 5 years	15,639	10,546
Later than 5 years	-	-
	28,449	**19,797**

31. Events after the reporting period

The ongoing geopolitical events in Ukraine, the military actions from Russia and the response from European countries and the United States in the form of economic sanctions are affecting global energy markets and economic developments in general. These events have caused an unforeseen rise in market prices of raw materials, fuel and energy, and an increased volatility of FX rates. It is difficult to estimate further development of market prices and key macroeconomic indicators.
The Company does not expect that such developments will have a direct impact on its ability to source and sell oil products. It sources its fuel products mainly from the Hellenic Petroleum Group and is following developments around the crisis in Ukraine and planning accordingly.
The Company regards these events as non-adjusting events after the reporting period, the potential effect of which cannot be estimated reliably.

Liabilities in amount of 943m MKD (€15.342k) relevant to decisions received for Customs duties and fines , during the period January 2020 and up to date of issuance of these Financial Statements, are paid. The company has filed a request to customs administration for the return of the bank guarantees placed to facilitate the liabilities payment postponement. Any payments made by OKTA do not constitute and should not be interpreted as an acknowledgment of any debt or responsibility by OKTA. Furthermore, OKTA reserves the right to use any additional legal remedies with respect to such decisions adopted by the Customs Administration on the basis of the Minutes and the Additional Minutes.

There are no other events after the reporting period that would have impact on the 2021 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

Income Statement 01.01.2021 - 31.12.2021

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		26.142.198.904	15.382.479.809
2.	Sale income	202	11	26.140.572.863	15.368.985.922
3.	Other income	203		1.626.041	13.493.887
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		0	0
4.б.	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		25.695.022.706	15.955.276.601
7.	Raw materials expenses	208		47.314.375	34.527.053
8.	Purchase price of the goods sold	209		24.764.902.544	14.389.846.839
9.	Purchase price of materials, spare parts, small inventory, packaging and tyres	210			
10.	Services categorized as material expenses	211		71.550.458	63.323.538
11.	Other operational expenses	212		168.394.936	212.103.168
12.	Employees expenses (214+215+216+217)	213		288.075.248	285.870.593
12.a.	Net salaries	214		150.826.771	145.837.280
12.б.	Expenses for taxes and salaries contributions	215		13.777.583	15.787.242
12.в.	Mandatory social contribution expenses	216		62.551.226	72.560.659
12.г.	Other expenses for employees	217		60.919.668	51.685.412
13.	Depreciation of tangible and intangible assets	218		155.153.325	176.585.712
14.	Impairment of non-fixed assets	219			
15.	Impairment of fixed assets	220		0	7.788.631
16.	Provisions for risks and expenses	221		0	3.008.952
17.	Other operational expenses	222		199.631.820	782.222.115
18.	III. FINANCIAL INCOME (224+229+230+231+232+233)	223		31.693.454	27.186.724
19.	Financial income arising from related parties (225+226+227+228)	224		3.681.431	2.014.682
19.a.	Income from investment in related parties	225			
19.б.	Income from interests from related parties	226			
19.в.	Income from foreign exchange difference from related parties	227		3.681.431	2.014.682
19.г.	Other financial income from related parties	228			
20.	Income from investment in non-related parties	229		414.000	414.000
21.	Income from interests from non-related parties	230		2.847.978	1.947.571
22.	Income from foreign exchange difference from non-related parties	231		8.606.643	20.824.451
23.	Unrealised income from financial assets	232			
24.	Other financial income	233		16.143.402	1.986.020
25.	IV. FINANCIAL EXPENSES (235+239+240+241+242+243)	234		25.393.660	7.629.880
26.	Financial expenses with related parties (236+237+238)	235		3.975.157	2.410.761
26.a.	Expenses for interest payable to related parties	236			
26.б.	Expense for foreign exchange differences payable to related parties	237		3.975.157	2.410.761
26.в.	Other financial expenses payable to related parties	238			
27.	Expenses for interest payable to non-related parties	239		575.764	199.542
28.	Expense for foreign exchange differences payable to non-related parties	240		20.842.739	5.019.577
29.	Unrealised loss from financial assets	241			
30.	Impairement 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		453.475.992	

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		453.475.992	
39.	Loss before taxation (247+249) или (247-248)	251		0	553.239.948
40.	Corporate income tax	252		75.284.449	
41.	Deferred tax assets	253			32.658.608
42.	Deferred tax liabilities	254			
43.	NET PROFIT FOR THE CURRENT YEAR (250-252+253-254)	255		378.191.543	
44.	NET LOSS FOR THE CURRENT YEAR (251+252-253+254)	256		0	520.581.340
45.	Average numeber of employees upon work hours	257		268	305
46.	Number of months of work	258		12	12
47.	PROFIT/LOSS FOR THE PERIOD	259		378.191.543	
47.a.	Profit belonging to the shareholders in the parent company	260		378.191.543	
47.б.	Profit belonging to the uncontrollable participation	261			
47.в.	Loss belonging to the shareholders in the parent company	262			520.581.340
47.г.	Loss belonging to the uncontrollable participation	263			
48.	EARNINGS PER SHARE	264		447	
48.a.	Total basic earnings per share	265		447	0
48.б.	Total diluted earnings per share	266			
48.в.	Basic earning per share from interrupted work	267			
48.г.	Dilutred 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		378.191.543	
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			
4.	Other comprehensive loss (274+276+278+280+282+284) - (273+275+277+279+281+283)	272		279.300	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		1.092.960	
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			
14.	Actuarial losses on defined plans for employee benefits	282		1.372.260	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 comrehensive income	285			
18.	Net other comprehensive income (271-285)	286		0	
19.	Net other comprehensive loss (285-271) или (272+285)	287		279.300	1.608.221
20.	Total comprehensive income for the year (269+286) или (286-270)	288		377.912.243	
20.a.	Comprehensive income attributable to share holders of parent company	289		377.912.243	
20.б.	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		0	522.189.561
21.б.	Comprehensive loss belonging to uncontrollable participation	293			

Name of the Company: OKTA Crude Oil Refinery AD Skopje

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

Unique ID number: 4074009

Balance Sheet 01.01.2021 - 31.12.2021				
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		1.326.593.173	1.401.374.580
I. Intangible assets (003+004+005+006+007+008)	002	5	42.885.810	34.561.278
Expenditures for research and development	003			
Patents, license, concession and other rights.	004		42.530.223	33.829.428
Goodwill	005			
Advance payment for intangible assets	006			
Intangible assets in preparation	007		355.587	731.850
Other intangible assets	008			
II. Tangible assets (010+013+014+015+016+017+018+019)	009	6	1.267.430.745	1.351.550.378
Immovable property (real estate) (011+012)	010	6	465.411.966	488.201.256
Land	011	6	247.318.812	247.318.812
Buildings	012	6	218.093.154	240.882.444
Plant and equipment	013	6	686.721.240	780.696.794
Transport assets	014	6	6.775	2.007.634
Tools, office inventor, assets for transport	015	6	44.343.762	49.906.681
Biological assets	016			
Advance payment for tangible	017			
Tangible assets in preparation	018	6	70.907.245	30.698.256
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		16.276.618	15.262.924
Investment in branch offices	022			
Investment in associate entities and joint venture investtments	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		16.203.960	15.111.000
Investment in securities held to maturity	027			
Investments in securities available for sale	028			
Investments in securities at fair value through profit or loss	029		16.203.960	15.111.000
Other long-term financial assets	030		72.658	151.924
V. LONG-TERM RECEIVABLES (032+033+034)	031		0	0
Receivables from related parties	032			
Receivables from customers	033			
Other long-term receivables	034			
VI. DEFERRED TAX ASSETS	035		5.557.474	36.488.310
Б. CURRENT ASSETS (037+045+052+059)	036		5.162.626.139	4.040.676.083
I. Stocks (038+039+040+041+042+043)	037		668.444.438	514.475.210
Stocks of raw materials	038		1.271.897	2.209.753

Stocks of spare parts, small inventory, packaging and tyres	039		18.761.320	17.608.989
Stock of unfinished products and semi-products	040			
Stock of finished products	041			
Stock of commercial products	042		648.411.221	494.656.468
Stock of biological products	043			

II. ASSETS (OR GROUP FOR TRANSFER FOR SALES AND INTERRUPTED WORKS)	044		3.455.432	152.147.676
III. SHORT-TERM RECEIVABLES (046+047+048+049+050+051)	045		966.431.380	1.059.536.179
Receivables from related parties	046	7	50.810	181.382
Trade accounts receivable	047	7	180.893.270	249.716.513
Advance payments	048		15.985.257	3.498.617
Receivables from the state upon taxes, social contribution, customs duties, excise and other duties towards the state	049		6	33.653.025
Receivables from the employees	050		5.126	10.067
Other short term receivables	051		769.496.911	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 secutrities 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	3.527.750.321	2.466.664.694
Cash	060		3.523.263.555	2.462.067.712
Cash equivalents	061		4.486.766	4.596.982
VI. PREPAYMENT OF EXPENSES FOR FUTURE PERIODS AND CALCULATED REVENUES	062		83.126.487	70.190.329
TOTAL ASSETS: ASSETS (001+035+036+044+062)	063		6.581.358.705	5.700.876.978
B. OUT-OF-BALANCE RECORDS - ASSETS	064		0	0
LIABILITIES: **A**. SHARE CAPITAL AND RESERVES (066+067-068-069+070+071+075-076+077-078)	065		4.363.324.174	4.047.196.211
I. SHARE CAPITAL	066	9	2.472.819.516	2.472.819.516
II. Share premiums	067			
III. Own shares (-)	068			
IV. Registered, not paid capital (-)	069		0	0
V. Revaluation reserve and differences from evaluation of components of the other comprehensive profit	070		106.730.992	107.010.292
VI. RESERVES (072+073+074)	071		812.119.797	812.119.797
Statutory reserves	072		494.718.176	494.718.176
Companys reserves (according to the Incorporation Act)	073			
Other reserves	074		317.401.621	317.401.621
VII. ACCUMULATED PROFIT	075		593.462.326	1.175.827.946
VIII. TRANSFERRED LOSS (-)	076		0	0
IX. PROFIT FOR THE CURRENT YEAR	077		378.191.543	0
X. LOSS FOR THE CURRENT YEAR	078		0	520.581.340
XI. SHARE CAPITAL OF THE OWNERS OF THE PARENT COMPANY	079			
XII. NON-CONTROLLABLE PARTICIPATION	080			
Б. LIABILITIES (082+085+095)	081		2.158.260.326	1.603.482.308
I. LONG-TERM PROVISIONS FOR RISKS AND EXPENSES (083+084)	082		14.981.502	14.220.239
Provisions for pensions, severance payments and similar liabilities towards the employees	083		14.981.502	14.220.239
Other long-term provisions for risks and expenses	084			
II. LONG-TERM LIABILITIES (**од** 086 **до** 093)	085		0	0
Liabilities to related parties	086			
Trade payables	087			
Advance and deposit liabilities	088			
Liabilities upon loans and credits to related parties	089			
Liabilities upon loans and credits	090			

Liabilities upon securities	091			
Other financial liabilities	092			
Other long-term liabilities	093			
III. DEFERRED TAX LIABILITIES	094			

IV. SHORT-TERM LIABILITIES (од 096 до 108)	095		2.143.278.824	1.589.262.069
Liabilities to related parties	096	10	116.419.368	108.598.607
Trade payables	097	10	610.944.378	446.206.436
Advance and deposit liabilities	098		193.283.728	58.270.823
Liabiliites for taxes and social contribution upon salaries	099		5.726.763	4.867.490
Liabilities towards the employees	100		11.214.029	9.611.646
Current tax liabilities	101		249.621.992	199.408.459
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		2.336.037	2.069.539
Other financial liabilities	107			
Other long-term liabilities	108		953.732.529	760.229.069
V. DEFERRED PAYMENTS OF EXPENSES AND INCOME IN FUTURE PERIODS	109		59.774.205	50.198.459
VI. LIABILITIES FOR NON-FIXED ASSETS (OR GROUPS FOR TRANSFER) HELD FOR SALE OR INTERRUPTION OF WORK	110			
TOTAL LIABILITIES: SHARE CAPITAL, RESERVES AND LIABILITIES (065+081+094+109+110)	111		6.581.358.705	5.700.876.978
B. OUT-OF-BALANCE RECORDS - LIABILITIES	112		0	0

Explanatory Notes

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 2021, the Company had 268 employees (2020: 274 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 17th February 2022 and will be subject of approval by the Board of Directors on 24th February 2022. 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, 290/2020 and 215/2021) 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.

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.

Covid-19 continues to heighten the inherent uncertainty in the Company's assessment of these factors. In particular, risks to economic growth persist principally from the potential impact that potential Covid-19 variants may have on economic activity. Further risks to economic recovery may inter-alia arise from, rising inflation and monetary policies implemented by central banks impacting interest and exchange rates expectations, prolongation of global supply issues and the European energy crisis. Nevertheless, the roll out of the mass vaccination schemes launched by governments during 2021 positively affected the severity of infections in terms of hospitalizations and symptoms experienced; consequently worldwide restrictions to mobility have been relaxed to a large extent with some governments lifting the entirety of restrictions in early 2022. Equally, worldwide economic recovery accelerated particularly in the second half of 2021 and is forecasted to continue in 2022. The increase in economic activity positively impacted demand for fuels and benchmark margins. Conversely the higher demand for energy, particularly in Europe, is considered a key factor for the increase in the price of natural gas, electricity and the cost of CO_2 emissions rights which are significant cost components in the refining process.

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)".

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 2021 were as follows:

Exchange rate:	31st December 2021	31st December 2020
	MKD	MKD
EUR	61.63	61.69
USD	54.37	50.71
GBP	73.43	67.90

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 obsoleteness 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.

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:

	2021	2020
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 Profit or loss as part of other income when the Company's right to receive payments is established.

2. Summary of significant accounting policies (continued)

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

The company assesses at the end of each reporting period whether there is objective evidence for impairment of an available for sale financial asset. Significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in 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.

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.

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.

(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.

(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.

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.

Covid -19: In 2021 although the North Macedonian economy continued to be affected by Covid -19, it rebounded considerably from the outbreak of the pandemic in 2020, primarily driven by the increased domestic demand and the better-than-expected tourist-transit season. The recovery has been also supported by the gradual relaxation of the strict measures imposed during the previous year and the vaccination programs which are in progress and have already prevented the more severe impact from the new virus variants
Although economic growth is projected to continue in 2022, albeit at a lower pace, the latest Omicron variant - related challenges and possible new Covid-19 outbreaks may have a negative impact on the growth of the economy and overall business activities, particularly in the first half of the year, which cannot be estimated reliably. While a further rise in Covid -19 infections or a slow rate of vaccinations could lead to additional restrictive measures, which could negatively affect current growth projections and hinder the progress, the recently approved medicines for treating Covid -19 are expected to lessen the impact of Covid -19.
The Company immediately responded to the outbreak of the pandemic and already from March 2020, took various initiatives to this end primarily focusing on ensuring the health and safety of its employees and all of its stakeholders operating or visiting the Company's premises, as well as the smooth operation of its activities and uninterrupted supply of our markets.
These initiatives include:
-Adopting a timely and successful new remote working model (teleworking) where possible, remotely supporting information systems and modifying shift programs.

-Utilizing digital technology and upgrading teleworking infrastructures.

-Drafting a Policy with frequent revisions based on developments and instructions from the State, addressing how to prevent and manage issues arising from the Covid -19 pandemic, including detailed prevention guidelines and testing response under various scenarios, planning for and implementing procedures for handling any suspected Covid -19 cases.

-Continuously keeping employees up to date, along with ongoing health support (increase of its medical network, participation of an infectious disease specialist, psychological support line, regular publication of special newsletter).

-Conducting in total over 206.000 PCR and rapid tests on the Group's employees and associates in 2021.

-Regular disinfection in all workplaces and appropriate disposal of personal protection equipment (PPE).

Management will continue to monitor the situation closely and will assess any potential further impact on the Company's financial position and performance, including the recoverable amount of its investments, in case the period of disruption becomes prolonged.

3. Financial risk management (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.

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 2021, the Company has no time deposits (2020: nill).

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.

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)

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 15,515 thousand (2020: MKD 17,659 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.

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.

e) 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.

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 23.4 million MKD or EUR 380 k, which were paid in 2020.

The Company filed lawsuits within 2020 and 2021, 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. From July till December 2021, the authorities issued new decisions for the fiscal years 2015, 2016 2017 and 2018, imposing additional amounts of 830 million MKD.

As at 31 December 2021 the company recognized a provision of 954 million MKD representing the company's best estimate of potential future cash outflows. As of December 31, 2020, the recognized reserves of MKD 781.4 million, which is 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 intents 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.

5. Intangible Assets

2021	**MKD**
Cost	
Balance as at 1 January 2021	**102.468.335**
Additions	16.452.239
Assets in construction	355,587
Balance as at 31 December 2021	***119,276,161***
Accumulated Amortisation	
Balance as at 1 January 2021	67,907,057
Amortisation	8,483,294
Balance as at 31 December 2021	76,390,351
Net book value as at 31 December 2021	***42,885,810***

2020	
Cost	
Balance as at 1 January 2020	**75,627,743**
Additions/advances	26,108,742
Advances	731,850
Balance as at 31 December 2020	***102,468,335***
Accumulated Amortisation	
Balance as at 1 January 2020	60,797,872
Amortisation	7,109,185
Balance as at 31 December	67,907,057
Net book value as at 31 December 2020	***34,561,278***

6. Property, plant and Equipment

Year ended on 31 December 2020	Land	Buildings	Machinery and equipment	Construction in progress	Total
Opening amount	247,318,812	**3,241,270,495**	**6,404,740,083**	**30,698,256**	**9,924,027,646**
Accumulated Depreciation	-	(3,000,388,051)	(5,572,089,217)	-	(8,572,477,268)
Net book value	**247,318,812**	**240,882,444**	**832,650,866**	**30,698,256**	**1,351,550,378**

Year ended on 31 December 2021					
Net book value	247,318,812	240,882,444	832,650,866	30,698,256	1,351,550,378
Additions	-	-	-	62,550,398	62,550,398
Transfer for construction in progress	-	5,322,351	17,019,058	(22,341,409)	-
Disposals NPV	-	(3,487,444)	(25,200,343)	-	(28,687,787
Depreciation	-	(28,111,641)	(118,558,390)	-	(146,670,031)
Impairment of disposals	-	3,487,444	25,200,343	-	28,687,787
Net book value as at 31 December 2021	**247,318,812**	**218,093,154**	**731,111,534**	**70,907,245**	**1,267,430,745**

(all amounts are in MKD unless otherwise stated)

7. Trade receivables

	2021	2020
Trade receivables domestic	97,984,245	150,233,285
Trade receivables foreign	148,835,872	164,106,163
Provision for impairment of trade receivables	(65,876,037)	(64,441,553)
Total	**180,944,080**	**249,897,895**

8. Cash and cash equivalents

	2021	2020
Bank account in in domestic currency	3,470,915,070	2,414,021,093
Bank account in foreign currencies	57,124,757	52,859,801
Cash on hand - in domestic currency	7,430	6,000
Cash on hand – foreign currencies		0
Impairment of deposit	(4,783,858)	(4,819,338)
Cash equivalent	4,486,922	4,597,138
Total	**3,527,750,321**	**2,466,664,694**

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 2021 was as follows:

	Number of ordinary shares	Total shares	% of total share capital
EL,P,ET Balkaniki S,A,	689,875	689,875	81,51 %
DPTU Pucko- Petrol Uvoz- Izvoz Doo- Makedonski Brod	91,965	91,965	10,87 %
Other 1)	64,520	64,520	7,62 %
	846,360	**846,360**	**100 %**

1) Shareholders which individually hold less than 0,4% in share capital,

10. Trade payables

	2021	2020
Domestic trade payables	421,343,281	281,797,188
Foreign trade payables	306,020,465	273,007,855
Total	**727,363,746**	**554,805,043**

11. Sales

	2021	2020
Sales on domestic market*	20,133,368,959	12,252,286,501
Sales on foreign market	6,007,203,904	3,116,699,421
Total Sales	**26,140,572,863**	**15,368,985,922**

*including sales of electricity

Responsible person for general information and explanatory notes

Legal representative person of the company

Рафинерија на нафта OKTA Скопје 1 Акционерско друштво