

О К Т А Рафинерија на нафта  
Акционерско друштво  
Бр. 01-938/19  
18.03. 2019 год.  
Скопје 1

**OKTA AD - SKOPJE**

**Financial Statements**

**For the year ended 31<sup>st</sup> December 2018**

**With Report of the Auditors Thereon**

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Annual account

## **Annual Report of OKTA AD Skopje for the year ended 31<sup>st</sup> of December 2018**

### **Key achievements**

OKTA closed 2018 with an improvement in sales volumes driven by the significant export sales increase, while maintaining its high domestic market share. On the other hand, profitability was negatively affected by the higher rebates granted, due to the different payment schedule structure, which impact was partially neutralized by the cost optimization activities. Company's liquidity continues to be at record-high levels, as result of the above mentioned modified payment schedule structure, which allows the company to operate without utilizing any credit lines.

The main projects in 2018 were:

- Fuel Storage and Loading Installation upgrades;
- Organizational restructuring;
- Security improvements;
- Management Information System (SAP) improvements;
- Expanding the Branded Petrol Stations;
- Cash and treasury management optimization;
- Further cost optimizations;
- Environmental protection;
- Obtaining a license for production and trading of electricity from renewable energy sources;
- Obtaining a license trade of electricity;
- Successful implementation of the project for emulsion phytoremediation.

OKTA also initiated a number of Socially Responsible Activities:

- Successful continuation of the existing CSR campaign for traffic safety;
- OKTA, in co-operation with Hellenic Petroleum, granted two scholarships for postgraduate studies in Greece to local students;
- Granting of postgraduate scholarships at the "St Cyril and Methodius University" to 10 students;
- Support of high school camps for young leaders in Krushevo;
- Extensive Internship Program;
- Support of major prominent cultural and music festivals;
- Continuous collaboration and support of Ilinden Municipality by planting trees by OKTA employees;
- Donation of photovoltaics to the Faculty of Electrical Engineering and Information Technologies in Skopje;
- Involvement of OKTA's employees in various CSR activities (Blood donations and "World Hunger Day" campaign);
- Donation of a digital speech therapy set to the Institute for Mental Health of Children and Youth "Mladost" in Skopje;
- Support of humanitarian race for persons with the rare Wilson diseases;
- Visit of EKO Serbia's summer camp by OKTA employees' children.

## **Company operations and market environment**

The Company, despite the challenges faced during 2018, managed to prevail in the competitive market environment and continues to be one of the cornerstones of economy by providing uninterrupted supply of fuel for all sectors, prevailing to be one again the main guarantor of the fuel supply of the country.

Adjusted 2018 EBITDA stands at MKD 357 million, lagging behind MKD 556 million of last year, mainly affected by the higher rebates granted, due to the different payment schedule structure, which was partially neutralized by cost optimization activities. Sales revenues at MKD 27,513 million, higher compared to last year (MKD 23,100 million), due to the higher international oil prices. Profit before tax for 2018, after excluding a one off non-operating expense (MKD 185 million), standing at MKD 83 million, compared to MKD 345 million for the same period last year. The main reason behind was the aforesaid impact from the higher rebates granted as result of the different payment schedule structure, which was partially neutralized by cost optimization activities.

## **Company Outlook for 2019**

OKTA's strategic plan for 2019 focuses on maintaining its domestic and export market share, by maximizing its sale performance on both markets and continuing its cost and operational improvements. The company will revisit its further opportunities both domestically and within the region, if the pipeline is re-opened in 2019.

The Company's priorities in 2019 are:

- Maintaining its domestic and export market share in a highly competitive environment;
- Strengthening of co-operation with key customers;
- Leverage of the storage and loading installation capacities;
- Increasing return on capital employed;
- Optimizing capital employed;
- Continuous training and creating of new opportunities for the company's employees;
- Further optimization of the organizational structure;
- Exploring Retail Network Development opportunities;
- Expanding and developing the renewable energy sources;

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

## **Other related information**

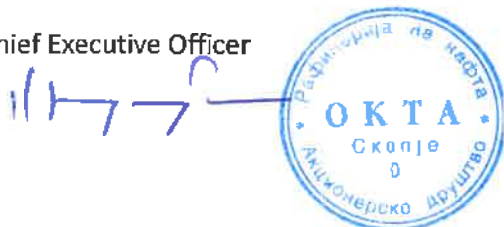
During 2018 OKTA:

- Invested a total of MKD 92.4 million - MKD 46 million was directed into installations infrastructure, MKD 5.7 million into IT and ERP related projects, MKD 27 million into security, safety and buildings related projects, and MKD 13.9 million into Retail Network related projects;
- Had no significant activities in the field of research and development;
- Entered into transactions with related parties, as presented in Note 28 of the Financial Statements for the year ended 31 December 2018;
- Did not have any long term debt, therefore applied no policy that links long term debt and share capital;
- Followed its risk management policy as depicted in Note 3 of the yearly Financial Statements and faced no significant issues.

- OKTA paid to the executive Board members the amount of MKD 14.5 million in the form of gross salaries and other benefits in amount of MKD 1.8 million. It also paid the non-executive Board members the total amount of MKD 1.3 million as compensation approved of by the Company's shareholders. For confidentiality reasons the numbers for each member are not disclosed here but are available to the shareholders upon request.

Ioannis Geroulanos

Chief Executive Officer



## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of OKTA AD Skopje ("the Company") which comprise the Company's statement of financial position as at 31 December 2018 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing accepted and published in the Official Gazette no. 79 dated 11 June 2010 of Republic of Macedonia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Basis for qualified opinion**

Following the provisions of the Share Purchase and Concession Agreement dated 8 May 1999 concluded between EL.P.ET Balkanike S.A (the parent Company of OKTA Crude Oil Refinery AD Skopje) and the Government of Republic of Macedonia, the Company has recognized receivables in the period from 2000 to 2004 in amount of MKD 769.497 thousand 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, Company has reported trade payables relating to the period prior to acquisition in amount of MKD 172.517 thousand with no movement since 2005. We were unable to obtain sufficient appropriate audit evidence to assess whether the Company is still obliged to settle this amount. Consequently, we were unable to determine whether any adjustments to the stated amounts as at 31 December 2018 and 31 December 2017 were necessary. Our audit opinion on the financial statements for the year ended 31 December 2017 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 2018 and its financial performance and its cash flows for the year then ended in accordance with accounting standards accepted in Republic of 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 2018. Our work regarding the annual report is performed in accordance with ISA 720 accepted and published in the Official Gazette no. 79 dated 11 June 2010 of Republic of Macedonia and limited to assessing whether the historical financial information of the annual report is consistent with the annual account and audited financial statements of the Company.

The annual report is consistent, in all material respects, with the annual account and audited financial statements of the Company for the year ended 31 December 2018 on which we expressed a qualified opinion in the above section "Report on the Financial Statements".

  
Vladimir Sokolovski  
Administrator



  
Danica Ganceva  
Certified Auditor

Ernst & Young Certified Auditors DOO, Skopje

Skopje, 18.03.2019



*Statement of comprehensive income*

		Year ended 31 <sup>st</sup> December	
	Note	2018	2017
Sales	5	27,513,169	23,099,902
Cost of goods sold	6	(26,606,208)	(21,933,811)
<b>Gross profit</b>		<b>906,961</b>	<b>1,166,091</b>
Operations and logistics expenses	7	(501,863)	(405,978)
Administrative expenses	8	(266,899)	(275,108)
Sales and distribution expenses	9	(119,415)	(211,746)
Other operating income	10	5,840	9,593
Impairment of assets held for sale	22	(129,508)	-
Other operating expenses	11	(15,949)	(53,993)
<b>Operating (loss)/ profit</b>		<b>(120,833)</b>	<b>228,859</b>
Finance income	12	45,933	59,268
Finance costs	12	(29,425)	(53,262)
Finance income/(costs) – net		<b>16,508</b>	<b>6,006</b>
<b>Loss / Profit before income tax</b>		<b>(104,325)</b>	<b>234,865</b>
Income tax expense	13	4,198	(31,625)
<b>Loss/Profit for the year</b>		<b>(100,127)</b>	<b>203,240</b>
<b>Other comprehensive income</b>			
Change in employee benefits obligations		1,294	227
Change in value of available-for-sale financial assets		1,881	1,726
<b>Total other comprehensive profit</b>		<b>3,175</b>	<b>1,953</b>
<b>Total comprehensive (loss) / profit for the year</b>		<b>(96,952)</b>	<b>205,193</b>
<b>Earnings per share information:</b>			
Basic and diluted profit per share	14	(0.12)	0.24


**OKTA AD – SKOPJE****Financial statements for the year ended 31<sup>st</sup> December 2018**

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


**Statement of financial position**

		<b>As at 31<sup>st</sup> December</b>	
	<b>Note</b>	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	15	17,102	23,852
Property, plant and equipment	16	1,649,667	2,141,964
Available-for-sale financial assets	17	9,833	23,310
Deferred tax assets	18	4,198	-
<b>Total non-current assets</b>		<b>1,680,800</b>	<b>2,189,126</b>
<b>Current assets</b>			
Inventories	19	496,388	492,837
Trade receivables	20	438,195	787,052
Other receivables	20	951,672	883,343
Cash and cash equivalents	21	1,376,727	1,462,335
Assets held for sale	22	192,677	-
<b>Total current assets</b>		<b>3,455,659</b>	<b>3,625,567</b>
<b>TOTAL ASSETS</b>		<b>5,136,459</b>	<b>5,814,693</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		2,472,820	2,472,820
Statutory reserves		494,718	494,718
Revaluation and other reserves		419,157	414,852
Retained earnings		1,098,389	1,198,516
<b>Total equity</b>	23	<b>4,485,084</b>	<b>4,580,906</b>
<b>Non-current liabilities</b>			
Provision for employee benefit obligations	24	12,344	13,680
<b>Total non-current liabilities</b>		<b>12,344</b>	<b>13,680</b>
<b>Current liabilities</b>			
Trade payables	25	450,574	1,056,571
Other current liabilities	25	188,457	163,110
Current income tax payable		-	426
<b>Total current liabilities</b>		<b>639,031</b>	<b>1,220,107</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>5,136,459</b>	<b>5,814,693</b>

The financial statements of OKTA AD – Skopje were authorised for issue by the Management on 22<sup>th</sup> February 2019 and were subject of approval by the Board of Directors on 26<sup>th</sup> February 2019. These financial statements are subject to approval from Company's Shareholders Assembly, as well. Signed on behalf of the Management of OKTA AD – Skopje:

  
Ioannis Geroulanos  
Chief Executive Officer



  
Teodora Solomonova-Ilikj  
Deputy Director for  
financial operations

Notes are integral part of these financial statements

*Statement of changes in equity*

	Capital	Statutory reserves	Revaluation and other reserves	Retained Earnings	Total
<b>Balance at 1<sup>st</sup> January 2017</b>	<b>2,472,820</b>	<b>494,718</b>	<b>412,899</b>	<b>1,087,530</b>	<b>4,467,967</b>
Net profit for 2017	-	-	-	203,240	<b>203,240</b>
Comprehensive income	-	-	1,953	-	<b>1,953</b>
<b>Total comprehensive income</b>	<b>2,472,820</b>	<b>494,718</b>	<b>414,852</b>	<b>1,290,770</b>	<b>4,673,160</b>
Dividend declared	-	-	-	(92,254)	<b>(92,254)</b>
<b>Balance at 31<sup>st</sup> December 2017</b>	<b>2,472,820</b>	<b>494,718</b>	<b>414,852</b>	<b>1,198,516</b>	<b>4,580,906</b>
Net loss for 2018	-	-	-	(100,127)	<b>(100,127)</b>
Disposal of AFS	-	-	1,130	-	<b>1,130</b>
Comprehensive income	-	-	3,175	-	<b>3,175</b>
<b>Total comprehensive income</b>	<b>2,472,820</b>	<b>494,718</b>	<b>419,157</b>	<b>1,098,389</b>	<b>4,485,084</b>
<b>Balance at 31<sup>st</sup> December 2018</b>	<b>2,472,820</b>	<b>494,718</b>	<b>419,157</b>	<b>1,098,389</b>	<b>4,485,084</b>

**OKTA AD – SKOPJE****Financial statements for the year ended 31<sup>st</sup> December 2018**

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

**Statement of cash flows**

	<b>Year ended 31<sup>st</sup> December</b>	
	<b>2018</b>	<b>2017</b>
<b>Operating activities</b>		
Profit before tax	<b>(104,326)</b>	<b>234,865</b>
<i>Adjustments for:</i>		
Depreciation and amortization	273,009	238,457
Impairment charges and provisions	141,597	56,921
Interest income	(20,417)	(7,222)
Interest expense and bank charges	9,628	33,336
<b>Cash generated from operations before changes in working capital</b>	<b>299,491</b>	<b>556,357</b>
<b>Cash flow from operating activities</b>		
Decrease/ (increase) in inventories	(16,753)	27,399
Decrease/ (increase) in receivables	309,893	1,306,141
(Decrease)/ increase in payables	(580,650)	(212,582)
<b>Cash generated from operations</b>	<b>11,981</b>	<b>1,677,315</b>
Interest and bank charges paid	(9,629)	(33,336)
Income taxes paid	(30,357)	(31,200)
<b>Net cash generated from/(used in) operating activities</b>	<b>(28,005)</b>	<b>1,612,779</b>
<b>Cash flow from investing activities</b>		
Acquisition of property, plant and equipment	(95,893)	(156,860)
Sales of property, plant and equipment	-	2,292
Interest received	20,417	7,222
Proceeds from deposit	-	60,000
Sales of available for sales financial assets	17,699	-
<b>Net cash used in investing activities</b>	<b>(57,777)</b>	<b>(87,346)</b>
<b>Cash flow from financing activities</b>		
(Repayment)of loans	-	(640,200)
Paid dividends	(34)	(91,703)
Received dividends	207	2,637
<b>Net cash used in financing activities</b>	<b>173</b>	<b>(729,266)</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>(85,609)</b>	<b>796,167</b>
Cash and cash equivalents at 1 <sup>st</sup> January	1,462,335	666,168
<b>Cash and cash equivalents at 31<sup>st</sup> December (note 21)</b>	<b>1,376,726</b>	<b>1,462,335</b>

Notes are integral part of these financial statements

Translation in English of the official financial statements issued in Macedonian

**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 31<sup>st</sup> December 2018, the Company had 356 employees (2017: 383 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 22th February 2019 and were subject of approval by the Board of Directors on 26<sup>th</sup> February 2019. 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 and 120/2018) 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.

#### **Consistency**

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

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

#### **Functional and presentation currency**

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

#### **Transactions and balances**

Foreign currency transactions are translated into Macedonian denars using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation monetary assets and liabilities denominated in foreign currencies at year-end are recognised in the Profit or loss. Monetary assets and liabilities denominated in foreign currencies are translated according to 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 31<sup>st</sup> December 2018 and 31<sup>st</sup> December 2017 were as follows:

Exchange rate:	31 <sup>st</sup> December 2018	31 <sup>st</sup> December 2017
	MKD	MKD
EUR	61.50	61.49
USD	53.69	51.27

**2.3. Property, plant and equipment**

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

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

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

**Subsequent expenditure**

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

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

**Depreciation**

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

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

**2. Summary of significant accounting policies (continued)****2.3. Property, plant and equipment (continued)**

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

	2018	2017
Buildings	20 - 40 years	40 years
Computers	4 - 5 years	4 years
Equipment	Up to 20 years	Up to 20 years
Other equipment and vehicles	8 years	5 - 10 years

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

**2.4. Intangible assets**

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

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

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

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

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



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

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

**2.6. 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.

**Current income tax**

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

**Deferred income tax**

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

### **2.14. Employees Benefits**

#### **Pension**

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

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

#### **Termination benefits**

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

#### **Retirement benefits and jubilee awards**

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

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

### **2.15. Leases**

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

### **2.16. Revenue**

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

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

### **2.17. Dividend distribution**

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

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

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

### **2.19. Operating segments**

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

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

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

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

**Market risk**

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

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

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

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

**Foreign exchange risk**

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

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

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

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

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

<b>2018</b>	<b>MKD</b>	<b>EUR</b>	<b>USD</b>
<b>Assets</b>			
Cash and cash equivalents	1,345,407	28,827	2,492
Trade receivables and other current financial assets	1,824,552	212,894	41,486
<b>Total assets</b>	<b>3,169,959</b>	<b>241,721</b>	<b>43,978</b>
<b>Liabilities</b>			
Trade payables	257,455	30,459	162,660
Other current liabilities	188,342	-	-
<b>Total liabilities</b>	<b>445,797</b>	<b>30,459</b>	<b>162,660</b>
<b>Net balance sheet exposure</b>	<b>2,724,162</b>	<b>211,262</b>	<b>(118,682)</b>

<b>2017</b>	<b>MKD</b>	<b>EUR</b>	<b>USD</b>
<b>Assets</b>			
Cash and cash equivalents	1,350,875	98,078	13,382
Trade receivables and other current financial assets	1,557,132	148,919	28,110
<b>Total assets</b>	<b>2,908,007</b>	<b>246,997</b>	<b>41,492</b>
<b>Liabilities</b>			
Trade payables	516,014	354,663	185,894
Other current liabilities	163,110	-	-
<b>Total liabilities</b>	<b>679,124</b>	<b>354,663</b>	<b>185,894</b>
<b>Net balance sheet exposure</b>	<b>2,228,883</b>	<b>(107,666)</b>	<b>(144,402)</b>

The Company realized more purchases in USD than sales. At 31<sup>st</sup> December 2018, if USD would have been 1% (2017: 1%) weaker or stronger against MKD profit would have been MKD 1,187 thousand (2017: MKD 1,444 thousand) after tax in net balance higher or lower, respectively.

The Company realized more purchases in EUR than sales. At 31<sup>st</sup> December 2018, if EUR would have been 1% (2017: 1%) weaker or stronger against MKD profit would have been MKD 2,110 thousand (2017: MKD 1,077 thousand) after tax in net balance higher or lower, respectively.

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

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

##### **Interest rate risk**

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

Changes in market interest rates affect the interest income on time deposits with banks. As of 31<sup>st</sup> December 2018, the Company has no time deposits (2017: nil).

##### **Price risk**

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

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

##### **Credit risk**

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

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



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

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

The following table represents Company's exposure to credit risk as at 31<sup>st</sup> December 2018 and 31<sup>st</sup> December 2017:

	<b>2018</b>	<b>2017</b>
Cash and cash equivalents	1,376,727	1,462,335
Trade receivables	438,195	787,052
Other receivables	951,672	883,343
	<b>2,766,594</b>	<b>3,132,730</b>

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

The receivables are summarized as follows:

	<b>31<sup>st</sup> December 2018</b>		<b>31<sup>st</sup> December 2017</b>	
	Trade receivables - domestic	Trade receivables - foreign	Trade receivables - domestic	Trade receivables - foreign
Neither past due nor impaired	183,322	138,084	646,507	135,989
Past due but not impaired	1,127	115,662	-	4,556
Impaired	46,046	19,120	45,520	18,246
<b>Gross</b>	<b>230,495</b>	<b>272,866</b>	<b>692,027</b>	<b>158,791</b>
Less: allowance for impairment	(46,046)	(19,120)	(45,520)	(18,246)
<b>Net</b>	<b>184,449</b>	<b>253,746</b>	<b>646,507</b>	<b>140,545</b>

Trade receivables of MKD 116,789 thousand (2017: MKD 4,556 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.

**Liquidity risk**

Liquidity risk is defined as the risk that the Company could not be able to settle or meet its obligations on time. The Company's policy is to maintain sufficient cash and cash equivalents to meet its commitments in the foreseeable future. Any excess cash is mostly deposited in commercial banks.

**3. Financial risk management (continued)****3.1 Financial risk factors (continued)****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
<b>At 31<sup>st</sup> December 2018</b>			
Trade payables	450,574	-	-
Other current liabilities	188,457	-	-
Loans from the banks	-	-	-
	<b>639,031</b>	-	-
<b>At 31<sup>st</sup> December 2017</b>			
Trade payables	1,056,571	-	-
Other current liabilities	163,110	-	-
Loans from the banks	-	-	-
	<b>1,219,681</b>	-	-

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

**3.2. Capital risk management**

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

**3.3. Fair value estimation**

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

The table below shows the categorisation of financial assets as at 31<sup>st</sup> December 2018:

	Carrying amount	Fair Value
Cash and cash equivalents	1,376,727	1,376,727
Trade receivables	438,195	438,195
Other current financial assets	951,672	951,672
	<b>2,766,594</b>	<b>2,766,594</b>

The table below shows the categorisation of financial assets as at 31<sup>st</sup> December 2017:

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

**4. Critical accounting estimates and judgments**

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

**4.1. Critical accounting estimates and assumptions**

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

**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 27,301 thousand (2017: MKD 23,846 thousand).

The used depreciation rates are the best estimate of the useful life of the assets of the Company. During 2018, the Company reassessed the useful life of the assets and some of them where changed. The new useful life are presented in note 2.3.

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

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

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

**Impairment of trade and other receivables**

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

**Provisions**

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

**5. Sales**

	<b>2018</b>	<b>2017</b>
Sales on domestic market	23,579,916	20,420,269
Sales on foreign market	3,933,253	2,679,633
	<b>27,513,169</b>	<b>23,099,902</b>

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

**6. Cost of goods sold**

	<b>2018</b>	<b>2017</b>
Cost of traded goods	26,577,661	21,923,626
Impairment of inventories	13,674	-
Manipulation and shrinkage expenses	14,873	10,185
	<b>26,606,208</b>	<b>21,933,811</b>

**7. Operations and logistics expenses**

	<b>2018</b>	<b>2017</b>
Depreciation and amortization	204,541	168,921
Gross salaries and wages	183,979	123,409
Electricity	21,211	20,529
Other fixed cost	12,706	20,148
Insurance expenses	16,079	16,106
Maintenance expenses	10,454	7,831
Personnel related expenses	22,493	13,489
Own consumption of fuels	2,333	950
Miscellaneous expenses	17,539	15,939
Redundancy expenses	9,754	18,358
Telecommunication expenses	485	189
Office supplies expenses	289	109
	<b>501,863</b>	<b>405,978</b>

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

**8. Administrative expenses**

	<b>2018</b>	<b>2017</b>
Gross salaries and wages	99,147	105,478
Miscellaneous expenses	43,545	51,692
Depreciation and amortization	51,220	44,259
Other fixed cost	22,454	19,949
Public relation and advertising expenses	12,448	8,705
Rental expenses	6,120	7,663
Personnel related expenses	10,273	11,166
Insurance expenses	9,426	4,576
Maintenance expenses	985	1,377
Business travel	1,483	1553
Redundancy expenses	7,804	17,409
Telecommunication expenses	1,634	744
Office supplies expenses	360	537
	<b>266,899</b>	<b>275,108</b>

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**

	<b>2018</b>	<b>2017</b>
Gross salaries and wages	34,977	105,625
Miscellaneous expenses	21,307	23,940
Depreciation and amortization	17,248	25,276
Maintenance expenses	1,394	4,099
Other variable expenses	12,503	9,979
Personnel related expenses	2,029	11,137
Transportation expenses	3,698	1,234
Other fixed cost	12,955	9,646
Rental expenses	1,384	3,306
Public relation and advertising expenses	3,205	2,688
Redundancy expenses	4,040	8,726
Dues and subscriptions	794	2,325
Insurance expenses	3,275	2665
Office supplies expenses	343	653
Telecommunication expenses	263	447
	<b>119,415</b>	<b>211,746</b>

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

**10. Other operating income**

	<b>2018</b>	<b>2017</b>
Income from prior years	3,975	6,605
Income from sales of shares	1,211	-
Income from sales of electricity	447	-
Dividend income	207	2,639
Income from sale of fixed assets	-	349
	<b>5,840</b>	<b>9,593</b>

**11. Other operating expenses**

	<b>2018</b>	<b>2017</b>
Impairment of spare parts and consumables	-	31,038
Disposed materials from warehouse	-	12,604
Waste treatment expenses and Provision for legal cases	14,877	9,041
Net book value of disposed fixed assets	35	450
Impairment of bad and doubtful debts	567	860
Cost of traded electricity	470	-
	<b>15,949</b>	<b>53,993</b>

**12. Finance income and costs**

	<b>2018</b>	<b>2017</b>
Foreign exchange gain	25,516	52,046
Interest income	20,417	7,222
<b>Finance income</b>	<b>45,933</b>	<b>59,268</b>
Foreign exchange loss	(19,796)	(19,926)
Interest expenses	(712)	(21,361)
Bank charges	(8,917)	(11,975)
<b>Finance costs</b>	<b>(29,425)</b>	<b>(53,262)</b>
<b>Net finance income / (costs)</b>	<b>16,508</b>	<b>6,006</b>

**13. Income tax expense**

Recognized in the statement of comprehensive income:

	<b>2018</b>	<b>2017</b>
<i>Current tax expense</i>		
Current year	-	(31,625)
<i>Deferred tax expense</i>		
Increase/ (decrease) in deferred tax assets	4,198	-
<b>Total income tax in the statement of comprehensive income</b>	<b>4,198</b>	<b>(31,625)</b>

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

	<b>2018</b>	<b>2017</b>
(Loss) / Profit before tax	(104,326)	234,865
Expenses non tax deductible according to local regulations	62,550	84,029
Taxed income		
Collected receivables taxed in previous years	-	-
Dividends received	(207)	(2,639)
Tax loss carries forward	41,983	-
	<u>-</u>	<u>316,255</u>
<b>Tax charge</b>	<b>4,198</b>	<b>(31,625)</b>

As of 1 August 2014, new profit tax law came into force being applicable from 1 January 2014 for the net income for 2014. According to the provisions of this new law the tax base is the profit generated during the fiscal year increased for non-deductible expenses and reduced for deductible revenue (i.e. dividends already taxed at the payer), with profit tax at rate of 10%.

The tax authorities may at any time inspect the books and records within 5 to 10 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Company's management is not aware of any circumstances, which may give rise to a potential material liability in this respect. In line with these changes profit tax for the year was nil and deferred tax were calculated and recorded in the 2018 the statement of comprehensive income (see note 2.13).

**14. Earnings per share**

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

	<b>2018</b>	<b>2017</b>
(Loss)/Profit for the year	(100,127)	203,240
<b>Profit attributable to ordinary equity holders</b>	<b>(100,127)</b>	<b>203,240</b>
Weighted average number of ordinary shares in issue:	846,360	846,360

Weighted average shares of the Company during 2018 was 846,360 (2017: 846,360). OKTA has no preference shares.



## 15. Intangible Assets

2018	Software and other rights	Total
<b>Cost</b>		
Balance as at 1 January 2018	62,275	62,275
Additions	1,969	1,969
Software under construction	3,021	3,021
<b>Balance as at 31 December 2018</b>	<b>67,265</b>	<b>67,265</b>
<b>Accumulated Amortisation</b>		
Balance as at 1 January 2018	38,423	38,423
Amortisation	11,740	11,740
<b>Balance as at 31 December 2018</b>	<b>50,163</b>	<b>50,163</b>
<b>Net book value as at 31 December 2018</b>	<b>17,102</b>	<b>17,102</b>
<b>2017</b>		
<b>Cost</b>		
Balance as at 1 January 2017	56,377	56,377
Additions	4,792	4,792
Software under construction	1,106	1,106
<b>Balance as at 31 December 2017</b>	<b>62,275</b>	<b>62,275</b>
<b>Accumulated Amortisation</b>		
Balance as at 1 January 2017	26,290	26,290
Amortisation	12,133	12,133
<b>Balance as at 31 December 2017</b>	<b>38,423</b>	<b>38,423</b>
<b>Net book value as at 31 December 2017</b>	<b>23,852</b>	<b>23,852</b>

**16. Property Plant and Equipment**

	Land	Buildings	Machinery and equipment	Construc- tion in progress	Total
<b>At 1 January 2018</b>					
Cost	247,319	3,190,314	6,665,735	107,793	10,211,161
Accumulated depreciation	-	(2,937,040)	(5,132,157)	-	(8,069,197)
<b>Net book amount</b>	<b>247,319</b>	<b>253,274</b>	<b>1,533,578</b>	<b>107,793</b>	<b>2,141,964</b>
<b>Year ended 31 December 2018</b>					
Opening net book amount	247,319	253,274	1,533,578	107,793	2,141,964
Additions	-	-	-	90,936	90,936
Transfer from construction in progress	-	20,009	50,114	(70,123)	-
Transfer to asset held for sale (net book value)	-	-	(321,965)	-	(321,965)
Depreciation charge	-	(49,112)	(212,156)	-	(261,268)
<b>Closing net book amount</b>	<b>247,319</b>	<b>224,171</b>	<b>1,049,571</b>	<b>128,606</b>	<b>1,649,667</b>
<b>At 31 December 2018</b>					
Cost	247,319	3,210,324	6,317,246	128,606	9,903,495
Accumulated depreciation	-	(2,986,153)	(5,267,675)	-	(8,253,828)
<b>Net book amount</b>	<b>247,319</b>	<b>224,171</b>	<b>1,049,571</b>	<b>128,606</b>	<b>1,649,667</b>
<b>Year ended 31 December 2017</b>					
Opening net book amount	247,319	256,247	1,686,381	99,861	2,289,808
Additions	-	-	-	83,663	83,663
Transfer from construction in progress	-	28,283	47,448	(75,731)	-
Disposals (net book value)	-	-	(5,184)	-	(5,184)
Depreciation charge	-	(31,256)	(195,067)	-	(226,323)
<b>Closing net book amount</b>	<b>247,319</b>	<b>253,274</b>	<b>1,533,578</b>	<b>107,793</b>	<b>2,141,964</b>
<b>At 31 December 2017</b>					
Cost	247,319	3,190,314	6,665,735	107,793	10,211,161
Accumulated depreciation	-	(2,937,040)	(5,132,157)	-	(8,069,197)
<b>Net book amount</b>	<b>247,319</b>	<b>253,274</b>	<b>1,533,578</b>	<b>107,793</b>	<b>2,141,964</b>

Out of total depreciation and amortisation expense (of the tangible and intangible assets) amount of MKD 204,541 thousand (2017: MKD 168,921 thousands) has been charged in Operations and logistic expenses, MKD 51,220 thousands (2017: MKD 44,259 thousands) in administrative costs and MKD 17,248 thousands (2017: MKD 25,276 thousands) in selling and distribution expenses.

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

**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 31<sup>st</sup> December 2018. The recoverable amounts were assessed on basis on value in use treating the operational activities of trade and refining as one Cash generating unit. In determining value in use, the cash flows were discounted at a rate of 5.92% (6.47% for 2017) on a post-tax basis. The valuation model has not suggested any impairment and hence no impairments have been recorded as of 31<sup>st</sup> December 2018 or as at 31<sup>st</sup> December 2017. Management performed sensitivity analyses of the present market value of the entity using different discount rates and concluded that market value of the entity is higher than the net book value of the assets up to 5.92% WACC.

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

	2018	2017
At 1 <sup>st</sup> January	23,310	21,584
Additions	-	-
Disposals	(15,358)	-
Net gains/ (losses) transfer to revaluation reserves	1,881	1,726
<b>At 31<sup>st</sup> December</b>	<b>9,833</b>	<b>23,310</b>

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

	2018	2017
Investments in companies	9,833	5,693
Investments in banks	-	17,617
	<b>9,833</b>	<b>23,310</b>

**18. Deferred income tax assets**

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

	2018	2017
Deferred tax asset:		
Deferred income tax assets to be recovered after more than 12 months	4,198	-
Deferred income tax assets to be recovered within 12 months	-	-
<b>Deferred income tax asset</b>	<b>4,198</b>	<b>-</b>

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

Movement in temporary differences during the year

In thousands of denars	Balance 1 January 2018	Recognized in income	Balance 31 December 2018
Loss carried forward	-	(4,198)	4,198
	-	(4,198)	4,198

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

**19. Inventories**

	2018	2017
Trade goods	469,740	466,051
Spare parts and tools and consumables stores	26,648	26,786
	<b>496,388</b>	<b>492,837</b>

**20. Trade and other receivables**

Carrying amount of trade receivables is presented as follows:

	2018	2017
Trade receivables domestic	230,495	692,027
Trade receivables foreign	272,866	158,791
<b>Trade receivables – gross</b>	<b>503,361</b>	<b>850,818</b>
Provision for impairment of trade receivables	(65,166)	(63,766)
	<b>438,195</b>	<b>787,052</b>

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

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

	2018	2017
Trade receivables - domestic	230,495	692,027
Trade receivables - foreign	178,378	158,700
Foreign receivables from related parties (note 28)	94,488	91
Less: Provision for impairment	(65,166)	(63,766)
<b>Trade receivables – net</b>	<b>438,195</b>	<b>787,052</b>
Receivable from Escrow account	769,497	769,497
Prepaid expenses	90,647	61,136
Advance payments	4,288	3,879
Receivables from employees	-	-
Income tax receivables	29,931	-
Other short term receivables	3,327	3,452
VAT receivables	53,982	45,379
<b>Other receivables</b>	<b>951,672</b>	<b>883,343</b>
	<b>1,389,867</b>	<b>1,670,395</b>

Receivables from related parties represent receivables from EKO Serbia (Note 28).

Following the provisions of the Share Purchase and Concession Agreement dated 8<sup>th</sup> May 1999 concluded between ELP.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:

	2018	2017
Not past due	321,406	782,496
less than 30 days	109,706	2,149
30 to 90 days	6,843	23
90 days to 1 year	240	2,384
Over 1 year	65,166	63,766
<b>Total gross receivables</b>	<b>503,361</b>	<b>850,818</b>

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

	2018	2017
At 1 <sup>st</sup> January	63,766	66,890
Provision for receivables impairment	567	404
Collected receivables	-	-
Written off receivable	-	(991)
FX difference	833	(2,537)
<b>At 31<sup>st</sup> December</b>	<b>65,166</b>	<b>63,766</b>

**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:

	2018	2017
Over 1 year	65,166	63,766
Over 180 days	-	-
	<b>65,166</b>	<b>63,766</b>

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

	2018	2017
MKD	230,495	673,789
EUR	177,683	148,919
USD	95,183	28,110
	<b>503,361</b>	<b>850,818</b>

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

	2018	2017
MKD	951,672	883,343
	<b>951,672</b>	<b>883,343</b>

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**

	2018	2017
Bank accounts in domestic currency	941,661	747,434
Bank accounts in foreign currency	31,320	30,281
Cash on hand	3	35
Other cash and cash equivalents	403,743	684,585
	<b>1,376,727</b>	<b>1,462,335</b>

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

	2018	2017
MKD	1,345,407	1,350,875
EUR	28,827	98,078
USD	2,493	13,382
	<b>1,376,727</b>	<b>1,462,335</b>

**22. Assets held for sale**

	<b>2018</b>	<b>2017</b>
Property, plant and equipment	192,677	-
	<b>192,677</b>	<b>-</b>

The assets held for sale were written down to their fair value less estimated costs to sell.

During 2018 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. 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.

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

The total authorised number of ordinary shares is 846,360 shares value of EUR 51.12 per share (2017: 846,360 ordinary shares with EUR 51.12 par value). All issued shares are fully paid.

The shareholders structure as at 31 December 2018 was as follows:

	<b>Number of ordinary shares</b>	<b>Total shares</b>	<b>% of total share capital</b>
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 %
	<b>846,360</b>	<b>846,360</b>	<b>100 %</b>

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

**b) Dividends**

The company dividend payments during 2018 is 34 MKD (2017: 91,705). There are no declared dividends during 2018. Dividends declared and paid for the year ended 31 December 2017 entirely relate to cash dividends on ordinary shares.

**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 1<sup>st</sup> January 2013, the Company is required to set aside 5 percent of its net statutory profit for the year in a statutory reserve until the level of the reserve reaches 1/10 of the share capital. The Company has achieved the required minimum in prior years and consequently no appropriation in 2018 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**

	<b>2018</b>	<b>2017</b>
Retirement benefit obligations and jubilee awards	12,344	13,680
	<b>12,344</b>	<b>13,680</b>

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 2018 and 2017.



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

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

	<b>2018</b>	<b>2017</b>
<b>Amounts recognised in Balance sheet</b>		
Present value of obligations	12,344	13,680
Fair value of plan assets		-
<b>Net Liability/ (Asset) in Balance Sheet</b>	<b>12,344</b>	<b>13,680</b>
<b>Amounts recognized in Profit and Loss</b>		
Service cost	609	641
Net interest on the net defined benefit liability/ (asset)	543	663
Recognition of actuarial (gain)/Loss		-
<b>Regular P&amp;L charge</b>	<b>1,152</b>	<b>1,304</b>
Settlement/ Curtailment/ Termination loss/ (gain)	20,821	47,099
<b>Total P&amp;L Charge</b>	<b>21,973</b>	<b>48,403</b>
<b>Reconciliation of benefit obligation</b>		
Defined Benefit Obligation at start period	13,680	14,771
Service cost	609	641
Interest cost	543	663
Benefits paid directly by the Company	(1,272)	(2,401)
Settlement/ Curtailment/ Termination loss (gain)		-
Actuarial (gain)/loss- experience	(1,216)	6
<b>Defined benefit obligation at end of period</b>	<b>12,344</b>	<b>13,680</b>
<b>Movements in Net Liability/ (Asset) in Balance Sheet</b>		
Net Liability/ (Asset) in Balance Sheet at the beginning of the period	13,680	14,771
Benefits paid directly	(22,093)	(49,721)
Total expense recognised in the income statement	22,051	48,403
Total amount recognised in the Other comprehensive income	(1,294)	227
<b>Net Liability/ (Asset) in Balance sheet</b>	<b>12,344</b>	<b>13,680</b>
<b>Assumptions</b>		
Discount rate	2.9%	3.8%
Price inflation	1.8%	2%
Rate of compensation increase	1.8%	4.5%
Plan duration	13.94	13.56
Future working life	14.18	18.54

**25. Trade and other payables**

Carrying amount of trade payables is presented as follows:

	2018	2017
Domestic trade payables	257,455	516,014
Foreign trade payables	193,119	540,557
Payables for non-invoiced goods	-	-
	<b>450,574</b>	<b>1,056,571</b>

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

	2018	2017
Domestic trade payables	257,455	516,014
Foreign trade payables	6,307	9,557
Foreign payables from related parties	17,203	369,025
Foreign trade payables prior acquisition	169,609	161,975
<b>Trade payables</b>	<b>450,574</b>	<b>1,056,571</b>
Advances received	37,120	26,702
Excise taxes payable	77,128	65,815
Salaries and wages	11,946	13,147
Personal income tax and contributions	5,830	6,407
Withholding tax	59	109
Provision for court cases	9,678	5,081
Accrued liabilities	46,394	44,790
Other	302	1,059
<b>Other current liabilities</b>	<b>188,457</b>	<b>163,110</b>
	<b>639,031</b>	<b>1,219,681</b>

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:

	2018	2017
MKD	257,455	516,014
USD	162,660	354,663
EUR	30,459	185,894
	<b>450,574</b>	<b>1,056,571</b>

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

	2018	2017
MKD	188,457	163,110
	<b>188,457</b>	<b>163,110</b>

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

**26. Expenses by nature**

	<b>2018</b>	<b>2017</b>
Cost of traded goods	26,577,661	21,923,626
Gross salaries and wages	318,103	334,512
Depreciation	273,009	238,456
Impairment of long term assets	129,508	0
Miscellaneous expenses	82,391	91,571
Other fixed cost	48,115	49,743
Personnel related expenses	34,795	35,792
Insurance expenses	28,780	23,347
Redundancy expenses	21,598	44,493
Electricity	21,211	20,529
Public relation and advertising expenses	15,653	11,393
Waste treatment expenses and scrapping of goods	14,877	9,041
Manipulation and shrinkage expenses	14,873	10,185
Impairment of traded goods	13,674	0
Maintenance expenses	12,833	13,307
Other variable expenses	12,503	9,979
Rental expenses	7,504	10,969
Transportation expenses	3,698	1,234
Telecommunication expenses	2,382	1,380
Own consumption of fuels	2,333	950
Business travel	1,483	1,553
Office supplies expenses	992	1,299
Dues and subscriptions	794	2,325
Impairment of bad and doubtful debts	567	860
Cost of traded electricity	470	0
Net book value of disposed fixed assets	35	450
Disposed materials from warehouse	-	12,604
Impairment of spare parts and consumables	-	31,038
	<b>27,639,842</b>	<b>22,880,636</b>

**27. Employee related expenses**

	<b>2018</b>	<b>2017</b>
Salaries and wages	195,768	207,789
Contributions and taxes	93,538	100,903
Other benefits	28,797	25,820
	<b>318,103</b>	<b>334,512</b>
	<b>2018</b>	<b>2017</b>
Average number of employees	366	404

**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.

**a) Sales of goods and services**

<i>Sales of goods</i>	<b>2018</b>	<b>2017</b>
EKO Serbia	121,074	-
	<b>121,074</b>	<b>-</b>
<i>Sales of services</i>	<b>2018</b>	<b>2017</b>
Vardax S.A.	557	881
Jugopetrol A.D.	557	928
Hellenic Petroleum S.A.	71	-
EKO Bulgaria	3,487	1,256
	<b>4,672</b>	<b>3,065</b>

**b) Purchases of goods and services**

<i>Purchases of trading goods</i>	<b>2018</b>	<b>2017</b>
Hellenic Petroleum S.A.	25,755,005	20,998,192
HFL S.A.	597	-
	<b>25,755,602</b>	<b>20,998,192</b>
<i>Purchases of services</i>	<b>2018</b>	<b>2017</b>
Hellenic Petroleum S.A.	20,394	25,095
ELPE International consulting	1,660	4,992
Asprofos S.A.	-	115
HFL S.A.	4,992	5,816
EKO Bulgaria	300	345
	<b>27,346</b>	<b>36,363</b>

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

<i>Receivables arising from sale of goods</i>	<b>2018</b>	<b>2017</b>
EKO Serbia	94,463	-
	<b>94,463</b>	<b>-</b>

<i>Receivables arising from sale of services</i>	<b>2018</b>	<b>2017</b>
EKO Bulgaria	-	87
EL.P.ET Balkaniki S.A.	-	4
	<b>-</b>	<b>91</b>

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

<i>Payables arising from purchase of raw materials and goods</i>	<b>2018</b>	<b>2017</b>
Hellenic Petroleum S.A.	16,292	368,457
	<b>16,292</b>	<b>368,457</b>

<i>Payables arising from purchase of services</i>	<b>2018</b>	<b>2017</b>
HFL S.A.	-	454
Hellenic Petroleum S.A.	912	114
	<b>912</b>	<b>568</b>

**d) Key management compensation**

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

	<b>2018</b>	<b>2017</b>
Salaries	28,608	25,256
Taxes and contributions	11,173	10,090
Other benefits	7,838	4,919
	<b>47,619</b>	<b>40,265</b>

**29. Contingencies****a) Bank guarantees**

The Company has contingent liabilities in respect of bank guarantees arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities. The Company has bank guarantees in the amount of MKD 600,405 thousand as at 31 December 2018 (2017: MKD 625,251 thousands). No additional payments are anticipated at the date of the financial statements.

**b) Legal proceedings**

From time to time and in the normal course of the business, claims against the Company may be received. On the basis of its own estimates and both internal and external professional advice, the management of the Company is of the opinion that no material losses will be incurred in respect of claims. (Note 25)

**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:

	2018	2017
No later than 1 year	10,169	11,744
Later than 1 year and no later than 5 years	6,981	15,372
Later than 5 years	-	-
	<b>17,150</b>	<b>27,116</b>

**31. Events after the reporting period**

There are no events after the reporting period that would have impact on the 2018 Statement of comprehensive income, Statement of financial position or Statement of cash flow.

Name of the Company: OKTA Crude Oil Refinery AD Skopje

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

Unique ID number: 4074009

### Balance Sheet 01.01.2018 - 31.12.2018

Position	AOP	Note No	Amount	
			Current year	Previous year
1	2	3	4	5
<b>ASSETS: A. NON-FIXED ASSETS (002+009+020+021+031)</b>	001		<b>1.676.948.345</b>	<b>2.189.126.689</b>
Intangible assets (003+004+005+006+007+008)	002	5	17.102.164	23.852.166
Expenditures for research and development	003			
Patents, license, concession and other rights.	004		14.080.634	22.745.564
Goodwill	005			
Advance payment for intangible assets	006			
Intangible assets in preparation	007		3.021.530	1.106.602
Other intangible assets	008			
<b>II. Tangible assets (010+013+014+015+016+017+018+019)</b>	009	6	<b>1.649.666.840</b>	<b>2.141.964.023</b>
Immovable property (real estate) (011+012)	010		471.489.859	500.592.378
Land	011		247.318.807	247.318.807
Buildings	012		224.171.052	253.273.571
Plant and equipment	013		992.384.269	1.467.522.844
Transport assets	014		10.489.613	17.446.710
Tools, office inventor, assets for transport	015		46.656.951	48.568.957
Biological assets	016			
Advance payment for tangible	017			
Tangible assets in preparation	018		128.606.391	107.793.377
Other tangible assets in preparation	019		39.757	39.757
<b>III. INVESTMENT IN IMMOVABLE PROPERTY</b>	020			
<b>IV. LONG-TERM FINANCIAL ASSETS (022+023+024+025+026+030)</b>	021		<b>10.179.341</b>	<b>23.310.500</b>
Investment in branch offices	022			
Investment in associate entities and joint venture investments	023			
Receivables from long-term loans granted to related parties	024			
Receivables from long-term loans	025			
Investment in long-term securities (027+028+029)	026		9.832.500	23.310.500
Investment in securities held to maturity	027			
Investments in securities available for sale	028		9.832.500	23.310.500
Investments in securities at fair value through profit or loss	029			
Other long-term financial assets	030		346.841	
<b>V. LONG-TERM RECEIVABLES (032+033+034)</b>	031			
Receivables from related parties	032			
Receivables from customers	033			

Other long-term receivables	034			
<b>I. DEFERRED TAX ASSETS</b>	035		<b>4.198.255</b>	
<b>B. CURRENT ASSETS (037+045+052+059)</b>	036		<b>3.171.988.716</b>	<b>3.564.430.590</b>
<b>Stocks (038+039+040+041+042+043)</b>	037		<b>496.388.147</b>	<b>492.836.762</b>
Stocks of raw materials	038		<b>8.361.583</b>	<b>8.809.017</b>
Stocks of spare parts, small inventory, packaging and tyres	039		<b>18.286.290</b>	<b>17.976.882</b>
Stock of unfinished products and semi-products	040			
Stock of finished products	041			
Stock of commercial products	042		<b>469.740.274</b>	<b>466.050.863</b>
Stock of biological products	043			



<b>II. ASSETS (OR GROUP FOR TRANSFER FOR SALES AND INTERRUPTED WORKS)</b>	044		<b>192.677.286</b>	
<b>III. SHORT-TERM RECEIVABLES (046+047+048+049+050+051)</b>	045		<b>1.298.873.984</b>	<b>1.609.259.400</b>
Receivables from related parties	046	7	<b>94.487.095</b>	<b>140.415</b>
Trade accounts receivable	047	7	<b>343.707.523</b>	<b>786.911.966</b>
Advance payments	048		<b>4.288.896</b>	<b>3.879.485</b>
Receivables from the state upon taxes, social contribution, customs duties, excise and other duties towards the state	049		<b>83.913.895</b>	<b>45.378.796</b>
Receivables from the employees	050			
Other short term receivables	051		<b>772.476.575</b>	<b>472.163</b>
<b>IV. SHORT-TERM FINANCIAL ASSETS (053+056+057+058)</b>	052			
Investment in securities (054+055)	053			
Investment in securities held to maturity	054			
Investments in securities at fair value through profit or loss	055			
Receivables from short-term loans granted to related parties	056			
Receivables from short-term loans	057			
Other short-term financial assets	058			
<b>V. Cash and cash equivalents (060+061)</b>	059	8	<b>1.376.726.585</b>	<b>1.462.334.428</b>
Cash	060		<b>972.983.894</b>	<b>777.750.235</b>
Cash equivalents	061		<b>403.742.691</b>	<b>684.584.193</b>
<b>VI. PREPAYMENT OF EXPENSES FOR FUTURE PERIODS AND CALCULATED REVENUES</b>	062		<b>90.646.243</b>	<b>61.136.078</b>
<b>TOTAL ASSETS: ASSETS (001+035+036+044+062)</b>	063		<b>5.136.458.845</b>	<b>5.814.693.357</b>
<b>OUT-OF-BALANCE RECORDS - ASSETS</b>	064		<b>3.615.529.828</b>	<b>3.615.529.828</b>
<b>LIABILITIES: A. SHARE CAPITAL AND RESERVES (066+067-068-069+070+071+075-076+077-078)</b>	065		<b>4.485.083.780</b>	<b>4.580.906.481</b>
<b>SHARE CAPITAL</b>	066	9	<b>2.472.819.516</b>	<b>2.472.819.516</b>
Share premiums	067			
<b>III. Own shares (-)</b>	068			
<b>IV. Registered, not paid capital (-)</b>	069			
<b>... Revaluation reserve and differences from evaluation of components of the other comprehensive profit</b>	070		<b>101.755.502</b>	<b>97.450.853</b>
<b>RESERVES (072+073+074)</b>	071		<b>812.119.797</b>	<b>812.119.797</b>
Statutory reserves	072		<b>494.718.176</b>	<b>494.718.176</b>
Company's reserves (according to the Incorporation Act)	073			
Other reserves	074		<b>317.401.621</b>	<b>317.401.621</b>
<b>VII. ACCUMULATED PROFIT</b>	075		<b>1.198.516.315</b>	<b>995.276.696</b>
<b>VIII. TRANSFERRED LOSS (-)</b>	076			
<b>... PROFIT FOR THE CURRENT YEAR</b>	077			<b>203.239.619</b>
<b>X. LOSS FOR THE CURRENT YEAR</b>	078		<b>100.127.350</b>	
<b>... SHARE CAPITAL OF THE OWNERS OF THE PARENT COMPANY</b>	079			
<b>... I. NON-CONTROLLABLE PARTICIPATION</b>	080			
<b>B. LIABILITIES (082+085+095)</b>	081		<b>596.207.292</b>	<b>1.183.916.736</b>
<b>LONG-TERM PROVISIONS FOR RISKS AND EXPENSES (083+084)</b>	082		<b>12.344.390</b>	<b>13.679.682</b>
Provisions for pensions, severance payments and similar liabilities towards the employees	083		<b>12.344.390</b>	<b>13.679.682</b>
Other long-term provisions for risks and expenses	084			

<b>III. LONG-TERM LIABILITIES (од 086 до 093)</b>	085		
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		
<b>IV. DEFERRED TAX LIABILITIES</b>	094		

<b>IV. SHORT-TERM LIABILITIES (од 096 до 108)</b>	095		<b>583.862.902</b>	<b>1.170.237.054</b>
Liabilities to related parties	096	10	<b>17.179.225</b>	<b>368.829.273</b>
Trade payables	097	10	<b>433.394.660</b>	<b>687.742.272</b>
Advance and deposit liabilities	098		<b>37.119.678</b>	<b>26.702.143</b>
Liabilities for taxes and social contribution upon salaries	099		<b>5.829.786</b>	<b>6.407.376</b>
Liabilities towards the employees	100		<b>12.248.528</b>	<b>13.267.372</b>
Current tax liabilities	101		<b>77.186.828</b>	<b>66.349.812</b>
Short-term provisions for risks and expenses	102			
Liabilities upon loans and credits to related parties	103			
Liabilities upon loans and credits	104			
Liabilities upon securities	105			
Liabilities upon participation in the profits	106		<b>904.197</b>	<b>938.806</b>
Other financial liabilities	107			
Other long-term liabilities	108			
<b>V. DEFERRED PAYMENTS OF EXPENSES AND INCOME IN FUTURE PERIODS</b>	109		<b>55.167.773</b>	<b>49.870.140</b>
<b>VI. LIABILITIES FOR NON-FIXED ASSETS (OR GROUPS FOR TRANSFER) HELD FOR SALE OR INTERRUPTION OF WORK</b>	110			
<b>TOTAL LIABILITIES: SHARE CAPITAL, RESERVES AND LIABILITIES (J65+081+094+109+110)</b>	111		<b>5.136.458.845</b>	<b>5.814.693.357</b>
<b>B. OUT-OF-BALANCE RECORDS - LIABILITIES</b>	112		<b>3.615.529.828</b>	<b>3.615.529.828</b>

Name of the Company: OKTA Crude Oil Refinery AD Skopje

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

Unique ID number: 4074009

Income Statement 01.01.2018 - 31.12.2018					
Ordinal No.	Position	AOP	Note No.	Amount	
				Current year	Previous year
1	2	3	4	5	6
1.	<b>I. OPERATIONAL INCOME (202+203+206)</b>	201		<b>27.525.571.032</b>	<b>23.115.248.296</b>
2.	Sale income	202	11	27.513.616.443	23.106.572.416
3.	Other income	203		11.954.589	156.726
4.	Change of the value of stock of finished products and unfinished production				
4.a.	Stock of finished products and unfinished production at the beginning of the year	204			
4.6.	Stock of finished products and unfinished production at the end of the year	205			
5.	Capitalisation of own production and services	206			
6.	<b>II. OPERATIONAL EXPENSES (208+209+210+211+212+213+218+219+220+221+222)</b>	207		<b>27.648.759.038</b>	<b>22.899.282.028</b>
7.	Raw materials expenses	208		45.823.211	60.514.996
8.	Purchase price of the goods sold	209		26.592.772.275	21.952.404.285
9.	Purchase price of materials, spare parts, small inventory, packaging and tyres	210			
10.	Services categorized as material expenses	211		69.969.442	66.599.949
11.	Other operational expenses	212		167.788.691	175.567.139
12.	Employees expenses (214+215+216+217)	213		353.189.626	370.289.329
12.a.	Net salaries	214		195.760.435	205.877.536
12.6.	Expenses for taxes and salaries contributions	215		18.097.630	19.137.780
12.b.	Mandatory social contribution expenses	216		75.448.223	81.536.685
12.r.	Other expenses for employees	217		63.883.338	63.737.328
13.	Depreciation of tangible and intangible assets	218		273.008.832	238.456.670
14.	Impairment of non-fixed assets	219			
15.	Impairment of fixed assets	220		143.749.567	31.899.218
16.	Provisions for risks and expenses	221		1.151.931	1.303.799
17.	Other operational expenses	222		1.305.463	2.246.643
18.	<b>III. FINANCIAL INCOME (224+229+230+231+232+233)</b>	223		<b>39.370.856</b>	<b>60.185.862</b>
19.	Financial income arising from related parties (225+226+227+228)	224		2.042.924	7.747.902
19.a.	Income from investment in related parties	225			
19.6.	Income from interests from related parties	226			
19.b.	Income from foreign exchange difference from related parties	227		2.042.924	7.747.902
19.r.	Other financial income from related parties	228			
20.	Income from investment in non-related parties	229		207.000	2.639.050
21.	Income from interests from non-related parties	230		11.696.410	3.328.650
22.	Income from foreign exchange difference from non-related parties	231		23.472.080	44.298.339
23.	Unrealised income from financial assets	232			
24.	Other financial income	233		1.952.442	2.171.921
25.	<b>IV. FINANCIAL EXPENSES (235+239+240+241+242+243)</b>	234		<b>20.508.455</b>	<b>41.286.854</b>
26.	Financial expenses with related parties (236+237+238)	235		7.147.360	8.670.777
26.a.	Expenses for interest payable to related parties	236			
26.6.	Expense for foreign exchange differences payable to related parties	237		7.147.360	8.670.777
26.b.	Other financial expenses payable to related parties	238			
27.	Expenses for interest payable to non-related parties	239		712.217	21.360.856
28.	Expense for foreign exchange differences payable to non-related parties	240		12.648.878	11.255.221
29.	Unrealised loss from financial assets	241			
30.	Impairment of financial assets and investment	242			
31.	Other financial expenses	243			
32.	Participation in the profit of associate entities	244			
33.	Participation in the loss of associate entities	245			
34.	Profit from regular operations (201+223+244)-(204-205+207+234+245)	246			234.865.276

35.	Loss from regular operations (204-205+207+234+245)-(201+223+244)	247	(104.325.605)	
36.	Net profit from interrupted work	248		
37.	Net loss from interrupted work	249		
38.	Profit before taxation (246+248) или (246-249)	250		234.865.276
39.	Loss before taxation (247+249) или (247-248)	251	(104.325.605)	
40.	Corporate income tax	252		31.625.657
41.	Deferred tax assets	253	4.198.255	
42.	Deferred tax liabilities	254		
43.	<b>NET PROFIT FOR THE CURRENT YEAR (250-252+253-254)</b>	255		<b>203.239.619</b>
44.	<b>NET LOSS FOR THE CURRENT YEAR (251+252-253+254)</b>	256	<b>(100.127.350)</b>	
45.	Average number of employees upon work hours	257	366	404
46.	Number of months of work	258	12	12
47.	<b>PROFIT/LOSS FOR THE PERIOD</b>	259	<b>(100.127.350)</b>	<b>203.239.619</b>
47.a.	Profit belonging to the shareholders in the parent company	260		203.239.619
47.б.	Profit belonging to the uncontrollable participation	261		
47.в.	Loss belonging to the shareholders in the parent company	262	(100.127.350)	
47.г.	Loss belonging to the uncontrollable participation	263		
48.	<b>EARNINGS PER SHARE</b>	264		
48.a.	Total basic earnings per share	265	(118)	240
48.б.	Total diluted earnings per share	266		
48.в.	Basic earning per share from interrupted work	267		
48.г.	Diluted earnings per share from interrupted work	268		

REPORT FOR COMPREHENSIVE INCOME					
Ordinal No.	Position	AOP	Note No.	Amount	
				Current year	Previous year
1.	Profit for the year	269			203.239.619
2.	Loss for the year	270		(100.127.350)	
3.	Other comprehensive profit (273+275+277+279+281+283) -	271		3.174.799	1.953.609
4.	Other comprehensive loss (274+276+278+280+282+284) -	272			
5.	Gains arising from translation of foreign operations	273			
6.	Loss arising from translation of foreign operations	274			
7.	Gains from re-assessment of financial assets available for sale	275		1.880.300	1.726.600
8.	Loss from re-assessment of financial assets available for sale	276			
9.	Effective portion of gains from hedging instruments for hedging of cash flows	277			
10.	Effective portion of losses from hedging instruments for hedging of cash flows	278			
11.	Changes of re-evaluation reserves for non-current assets (+)	279			
12.	Changes of re-evaluation reserves for non-current assets (-)	280			
13.	Actuarial gains on defined plans for employee benefits	281		1.294.499	227.009
14.	Actuarial losses on defined plans for employee benefits	282			
15.	Share in other comprehensive income of associates (just for the needs of consolidation)	283			
16.	Share in other comprehensive loss of associates (just for the needs of consolidation)	284			
17.	Corporate Income Tax in the components of the other comprehensive income	285			
18.	Net other comprehensive income (271-285)	286		3.174.799	1.953.609
19.	Net other comprehensive loss (285-271) или (272+285)	287			
20.	Total comprehensive income for the year (269+286) или (286-270)	288			205.193.228
20.a.	Comprehensive income attributable to share holders of parent company	289			205.193.228
20.б.	Comprehensive income belonging to uncontrollable participation	290			
21.	Total comprehensive loss for year (270+287) or (270-286) or (287-269)	291		(96.952.551)	
21.a.	Comprehensive loss attributable to share holders of parent company	292		(96.952.551)	
21.б.	Comprehensive loss belonging to uncontrollable participation	293			

## Explanatory Notes

**OKTA AD – SKOPJE****Explanatory notes for the year ended 31 December 2018**

(all amounts are in MKD unless otherwise stated)

**1. General information**

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

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

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

As of 31<sup>st</sup> December 2018, the Company had 356 employees (2017: 383 employees).

The address of the Company is as follows:

Street 1 no.25  
Miladinovci Ilinden  
1000 Skopje  
Macedonia

The names of the Directors of the Company who perform the function during the financial year are:

Chief Executive Director – Ioannis Geroulanos  
Deputy Director for Finance operations – Bozhidar Pavlov

The financial statements of OKTA AD – Skopje were authorised for issue by the Management on 20<sup>th</sup> February 2019 and will be subject of approval by the Board of Directors on 27<sup>th</sup> February 2019. 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 and 120/2018) and the Rule Book for Accounting (published in Official Gazette No. 159/2009, No. 164/2010 and No. 107/2011), whereby the International Financial Reporting Standards (IFRS) were published. This Rule Book of Accounting comprise International Financial Reporting Standards (IFRS) - IFRS 1 to IFRS 8, International Accounting Standards (IAS) - IAS 1 to IAS 41, International Financial Reporting Interpretations Committee (IFRIC) - IFRIC 1 to IFRIC 17 and Standing Interpretations Committee (SIC) Interpretations comprising SIC 7 to SIC 32.

## OKTA AD – SKOPJE

## Explanatory notes for the year ended 31 December 2018

(all amounts are in MKD unless otherwise stated)

**2. Summary of significant accounting policies (continued)****2.1. Basis of preparation (continued)**

IFRS 9, IFRS 10, IFRS 11, IFRS 12, IFRS 13, IFRS 15, IFRS 16, IFRIC 18, IFRIC 19, IFRIC 20 and IFRIC 21 are not included in the Rule Book for Accounting and are not applied by the Company.

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

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

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

***Consistency***

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

**2.2. Foreign currency translation*****a) Functional and presentation currency***

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

***b) Transactions and balances***

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

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



## OKTA AD – SKOPJE

## Explanatory notes for the year ended 31 December 2018

(all amounts are in MKD unless otherwise stated)

**2. Summary of significant accounting policies (continued)****2.2. Foreign currency translation (continued)**

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

Exchange rate:	31 <sup>st</sup> December 2018	31 <sup>st</sup> December 2017
	MKD	MKD
EUR	61.50	61.49
USD	53.69	51.27

**2.3. Property, plant and equipment**

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

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

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

**a) Subsequent expenditure**

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

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

**b) Depreciation**

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

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

## OKTA AD – SKOPJE

## Explanatory notes for the year ended 31 December 2018

(all amounts are in MKD unless otherwise stated)

**2. Summary of significant accounting policies (continued)****2.3. Property, plant and equipment (continued)****b) Depreciation (continued)**

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

	2018	2017
Buildings	20 - 40 years	40 years
Computers	4 - 5 years	4 years
Equipment	Up to 20 years	Up to 20 years
Other equipment and vehicles	8 years	5 - 10 years

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

**2.4. Intangible assets**

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

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

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

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

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

## OKTA AD – SKOPJE

## Explanatory notes for the year ended 31 December 2018

(all amounts are in MKD unless otherwise stated)

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

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

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

**2.9. Cash and cash equivalents**

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

**2.10. Share capital**

Ordinary and preference shares are classified as equity.

**2.11. Trade and other payables**

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

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

**2.12. Provisions and contingent liabilities**

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

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

## OKTA AD – SKOPJE

## Explanatory notes for the year ended 31 December 2018

(all amounts are in MKD unless otherwise stated)

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**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.

## OKTA AD – SKOPJE

## Explanatory notes for the year ended 31 December 2018

(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*

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

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

#### *b) Termination benefits*

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

#### *c) Retirement benefits and jubilee awards*

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

**OKTA AD – SKOPJE****Explanatory notes for the year ended 31 December 2018**

(all amounts are in MKD unless otherwise stated)

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**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.

## OKTA AD – SKOPJE

## Explanatory notes for the year ended 31 December 2018

(all amounts are in MKD unless otherwise stated)

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

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

**a) Market risk**

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

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

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

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

**b) Foreign exchange risk**

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

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

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

## OKTA AD – SKOPJE

## Explanatory notes for the year ended 31 December 2018

(all amounts are in MKD unless otherwise stated)

### 3. Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### c) *Interest rate risk*

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

Changes in market interest rates affect the interest income on time deposits with banks. As of 31<sup>st</sup> December 2018, the Company has no time deposits (2017: nil).

##### d) *Price risk*

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

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

##### e) *Credit risk*

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

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



## OKTA AD – SKOPJE

## Explanatory notes for the year ended 31 December 2018

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(all amounts are in MKD unless otherwise stated)

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

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

**f) Liquidity risk**

Liquidity risk is defined as the risk that the Company could not be able to settle or meet its obligations on time. The Company's policy is to maintain sufficient cash and cash equivalents to meet its commitments in the foreseeable future. Any excess cash is mostly deposited in commercial banks.

The Company's liquidity management process includes projecting cash flows by major currencies and considering the level of necessary liquid assets, considering business plan, historical collection and outflow data. Regular cash projections are prepared and updated by the Payment and Treasury Department.

**3.2. Capital risk management**

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

**3.3. Fair value estimation**

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

**4. Critical accounting estimates and judgments**

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

**4.1. Critical accounting estimates and assumptions**

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

## OKTA AD – SKOPJE

## Explanatory notes for the year ended 31 December 2018

(all amounts are in MKD unless otherwise stated)

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**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 27,301 thousand (2017: MKD 23,846 thousand).

***b) Potential impairment of property, plant and equipment and intangibles***

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

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

***c) Impairment of trade and other receivables***

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

## OKTA AD – SKOPJE

## Explanatory notes for the year ended 31 December 2018

(all amounts are in MKD unless otherwise stated)

## 4. Critical accounting estimates and judgments (continued)

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

*d) Provisions*

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

## 5. Intangible Assets

2018	Software and other rights	Total
<b>Cost</b>		
Balance as at 1 January 2018	62,275,220	62,275,220
Additions	1,968,398	1,968,398
Advances	3,021,530	3,021,530
Balance as at 31 December 2018	67,265,148	67,265,148
<b>Accumulated Amortisation</b>		
Balance as at 1 January 2018	38,423,054	38,423,054
Amortisation	11,739,930	11,739,930
Balance as at 31 December 2018	50,162,984	50,162,984
<b>Net book value as at 31 December 2018</b>	<b>17,102,164</b>	<b>17,102,164</b>
<b>2017</b>		
<b>Cost</b>		
Balance as at 1 January 2017	56,376,823	56,376,823
Additions	5,898,397	5,898,397
Balance as at 31 December 2017	62,275,220	62,275,220
<b>Accumulated Amortisation</b>		
Balance as at 1 January 2017	26,289,611	26,289,611
Amortisation	12,133,443	12,133,443
Balance as at 31 December	38,423,054	38,423,054
<b>Net book value as at 31 December 2017</b>	<b>23,852,166</b>	<b>23,852,166</b>

## OKTA AD – SKOPJE

## Explanatory notes for the year ended 31 December 2018

(all amounts are in MKD unless otherwise stated)

## 6. Property, plant and Equipment

Year ended on 31 December 2017	Land	Buildings	Machinery and equipment	Construction in progress	Total
Opening amount	247,318,807	3,190,314,173	6,665,735,222	107,793,378	10,211,161,580
Accumulated Depreciation	-	(2,937,040,602)	(5,132,156,954)	-	(8,069,197,556)
<b>Net book value</b>	<b>247,318,807</b>	<b>253,273,571</b>	<b>1,533,578,268</b>	<b>107,793,378</b>	<b>2,141,964,024</b>

Year ended on 31 December 2018					
<b>Net book value</b>	247,318,807	253,273,571	1,533,578,268	107,793,378	2,141,964,024
Additions	-	-	-	90,936,673	90,936,673
Transfer for construction in progress	-	20,009,891	50,113,768	(70,123,659)	-
Disposals NPV	-	-	(398,602,967)	-	(398,602,967)
Depreciation Reduction of	-	(49,112,410)	(212,156,492)	-	(261,268,902)
Impairment	-	-	76,638,012	-	76,638,012
<b>Net book value as at 31 December 2018</b>	<b>247,318,807</b>	<b>224,171,052</b>	<b>1,049,570,589</b>	<b>128,606,392</b>	<b>1,649,666,840</b>

## OKTA AD – SKOPJE

## Explanatory notes for the year ended 31 December 2018

(all amounts are in MKD unless otherwise stated)

## 7. Trade receivables

	2018	2017
Trade receivables domestic	230,495,053	692,027,714
Trade receivables foreign	272,866,008	158,790,686
Provision for impairment of trade receivables	(65,166,443)	(63,766,019)
<b>Total</b>	<b>438,194,618</b>	<b>787,052,381</b>

## 8. Cash and cash equivalents

	2018	2017
Bank account in domestic currency	941,656,131	747,433,723
Bank account in foreign currencies	31,319,589	30,281,196
Cash on hand - in domestic currency	8,018	30,304
Cash on hand – foreign currencies	156	5,012
Cash equivalent	403,742,691	684,584,193
<b>Total</b>	<b>1,376,726,585</b>	<b>1,462,334,428</b>

## 9. Share Capital

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

During 2018 all preference shares were converted to ordinary shares.

For the year 2018 there was change in the ownership structure of the Company and the shareholders structure as at 31 December 2018 was as follows:

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

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

## OKTA AD – SKOPJE

## Explanatory notes for the year ended 31 December 2018

(all amounts are in MKD unless otherwise stated)

## 10. Trade payables

	2018	2017
Domestic trade payables	257,455,001	516,013,725
Foreign trade payables	193,118,884	540,557,820
Payables for non-invoiced goods	-	-
<b>Total</b>	<b>450,573,885</b>	<b>1,056,571,545</b>

## 11. Sales

	2018	2017
Sales on domestic market	23,580,363,061	20,420,268,809
Sales on foreign market	3,933,253,382	2,686,303,607
<b>Total Sales</b>	<b>27,513,616,443</b>	<b>23,106,572,416</b>

Responsible person for general  
information and explanatory notesLegal representative person of the  
company

## OKTA AD – SKOPJE

## Explanatory notes for the year ended 31 December 2018

(all amounts are in MKD unless otherwise stated)

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

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

**2.6. 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.