Financial Statements translated into Euro and Independent Auditor’s Report

M-NAV AD, Skopje

31 December 2020

This is an English translation of the original Report issued in Macedonian, in case of any discrepancies between the English and the Macedonian version the Macedonian text shall prevail

Contents

Independent Auditor's Report

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To the Shareholders of

M-NAV AD Skopje

We have audited the accompanying financial statements translated into Euro of M-NAV AD Skopje ("the Company"), which comprise the Statement of financial position (Balance Sheet) as at 31 December 2020, and the Statement of comprehensive income (Income Statement), 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, included on pages 3 to 33.

Management's responsibility for the financial statements translated into Euro

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements translated into Euro based on our audit. We conducted our audit in accordance with the auditing stadards accepted in the Republic of North Macedonia[1]. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements translated into Euro are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements translated into Euro. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements translated into Euro, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements translated into Euro 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 Company'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 translated into Euro.

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

As explained in the Statement of financial position of the Company and further in Note 2.12 to the accompanying financial statements translated into Euro, as at December 31, 2020, the Company has recorded a discount on issued shares, translated into presentation currency, in the amount of 6,311 thousand Euros. The discount on issued shares with simultaneous increase of the share capital account was initially recognized in the accounting records of the Company during 2011 only for the purpose of reconciling the amount of the share capital in the accounting records of the Company with the share capital registered with the Central Register of the Republic of North Macedonia. Based on the audit procedures performed and the obtained data and information, we determined that the recognized discount on issued shares is not in accordance with the accounting policies accepted by the Company as well as with the legislation and internal acts of the Company.

[1] International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board ("IAASB"), effective from 15 December 2009, translated and published in the "Official Gazette" of the Republic of Macedonia no.79 from 2010.

Grant Thornton

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for qualified opinion paragraph, the accompanying financial statements translated into Euro present fairly, in all material respects, the financial position of M-NAV AD Skopje as of 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with the accounting standards accepted in the Republic of North Macedonia.

Other matters

The financial statements translated into Euro of the Company as at and for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements translated into Euro dated 9 April 2020.

Marjan Andonov
Director
Grant Thornton DOO, Skopje

Друштво за ревизија ГРАНТ ТОРНТОН ДОО Скопје

Marjan Andonov
Certified Auditor

Skopje, 6 May 2021

Statement of financial position

In EUR thousand

	Note	31 December 2020	As at 31 December 2019
ASSETS			
Non – current assets			
Intangible assets	6	149	29
Property, plant and equipment	5	8,753	8,665
		8,902	**8,694**
Current assets			
Inventories	8	216	116
Income tax receivables		290	265
Trade and other receivables	9	2,079	2,394
Cash and cash equivalents	10	5,848	12,888
		8,433	**15,663**
Total assets		**17,335**	**24,357**
EQUITY AND LIABILITIES			
Share capital	11	25,240	20,556
Discount on share capital		(6,311)	(6,311)
Reserves	11	879	164
Retained earnings		-	4,930
Current year (loss)/profit		(5,874)	469
Total Equity		**13,934**	**19,808**
Liabilities			
Non – current liabilities			
Interest-bearing borrowings	12	2,411	1,985
Deferred donations	13	192	184
Provisions	14	99	91
		2,702	**2,260**
Current liabilities			
Current portion of interest-bearing borrowings	12	513	456
Income tax payables		-	27
Trade and other payables	15	186	1,806
		699	**2,289**
Total liabilities		**3,401**	**4,549**
Total equity and liabilities		**17,335**	**24,357**

These financial statements were approved by the Management of M-NAV AD, Skopje on 6 May 2021 and signed on its behalf by:

Fahrudin Hamidi President of the Management board	Vladko Krstevski Member of the Management board	Migjen Salmani Member of the Management board

Statement of comprehensive income

	Note	In EUR thousand For the year ended 31 December 2020	2019
Sales	16	7,844	17,689
Other operating income	17	46	71
Revenue		**7,890**	**17,760**
Materials and maintenance expenses	18	(695)	(1,049)
Personnel expenses	19	(11,106)	(13,509)
Amortization and depreciation	5, 6	(571)	(662)
Other operating expenses	20	(1,168)	(1,889)
(Loss) / profit from operating activities		**(5,650)**	**651**
Finance income	21	24	11
Finance costs	21	(191)	(140)
Finance (costs), net		**(167)**	**(129)**
(Loss) / profit before tax		**(5,817)**	**522**
Income tax expense	22	-	(53)
(Loss) / profit for the year		**(5,817)**	**469**
Other comprehensive income for the year		(57)	-
Total comprehensive (loss) / profit for the year		**(5,874)**	**469**

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President of the Management board

Vladko Krstevski
Member of the Management board

Migjen Salmani
Member of the Management board

Statement of changes in equity

In EUR thousand

	Share capital	Reserves	Discount on share capital	Retained earnings	Total
At 01 January 2020	**20,556**	**164**	**(6,311)**	**5,399**	**19,808**
Transactions with owners					
(Loss) for the year	-	-	-	(5,817)	(5,817)
Other comprehensive income					
Exchange differences on translating	-	-	-	(57)	(57)
Total comprehensive income	-	-	-	*(5,874)*	*(5,874)*
Distribution of profit (note 11)	4,684	715	-	(5,399)	-
At 31 December 2020	**25,240**	**879**	**(6,311)**	**(5,855)**	**13,934**
At 01 January 2019	**20,556**	**164**	**(6,311)**	**4,930**	**19,338**
Transactions with owners	-	-	-	-	-
Profit for the year	-	-	-	469	469
Other comprehensive income					
Exchange differences on translating	-	-	-	-	-
Total comprehensive income	-	-	-	*469*	*469*
At 31 December 2020	**20,556**	**164**	**(6,311)**	**5,399**	**19,808**

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Member of the Management board

Statement of cash flows

	Note	In EUR thousand For the year ended 31 December 2020	2019
Operating activities			
Net (loss)/profit		(5,817)	522
Adjusted for:			
Amortization and depreciation	5, 6	571	662
Write offs of property, plant and equipment		3	-
Provision for employee benefits	14	10	10
Income from donations	17	(24)	(22)
Impairment of trade receivables	20	110	198
Write offs of trade receivables	20	12	-
Interest income	21	(16)	(10)
Interest expense	21	180	132
Income from operating activities before change in the working capital		(4,971)	1,492
Restricted cash		1,966	-
Inventories		2	6
Trade and other receivables		244	(413)
Trade and other payables		(1,616)	681
Cash from operating activities		(4,375)	1,766
Interest paid	21	(180)	(132)
Interest received	21	16	10
Income tax paid		(26)	(53)
Cash flows from operating activities, net		**(4,565)**	**1,591**
Investing activities			
Purchase of property, plant and equipment and intangible assets		(936)	(2,665)
Cash flows from investing activities, net		**(936)**	**(2,665)**
Financing activities			
Proceeds from borrowings		937	1,708
Repayment of borrowings		(445)	-
Cash flows from financing activities		**492**	**1,708**
Exchange differences on translating		(65)	-
Net change in cash and cash equivalents		(5,074)	634
Cash and cash equivalents at beginning		10,088	9,454
Cash and cash equivalents at end	10	**5,014**	**10,088**

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Member of the Management board

Notes to the financial statements translated into Euro

1 General

The joint stock company in state ownership for providing air navigation services M-NAV AD, Skopje (further referred to as “the Company”) is a joint stock company founded on 04 November 2008 and sole owned by the Government of the Republic of North Macedonia.

The Company’s registered head office is at Bosfor nr.7 Mralino, Ilinden, Republic of North Macedonia. As of 31 December 2020, the Company employs 303 persons (2019: 307 persons). In accordance with the provisions of the Aviation Law, the Company is authorised air navigation service provider.

2 Accounting policies

The principal accounting policies that were 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 have been prepared in accordance with the Law on Trade Companies (Official Gazette nr.28/2004...290/2020) and the Rulebook on accounting (Official Gazette nr.159 from 29 December 2009. nr.164 from 20 December 2010 and nr.107 from 10 August 2011). This Rulebook comprises the consolidated text of International Financial Reporting Standards (IFRS), including also the International Accounting Standards (IAS) and Interpretations as issued by IASB at 1 January 2009.

The financial statements have been prepared on a historical cost basis. The basis for measurement of assets, liabilities, income and expense is described in detail in this Note.

The preparation of these financial statements in conformity with the accounting standards accepted in the Republic of North Macedonia requires the use of certain critical accounting estimates. It also requires the Company’s management to exercise judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4: Critical accounting estimates and judgments.

These financial statements are presented in Euro ("EUR" or "Euro"), which is the presentation currency of the Company's financial statements and it differs from the functional currency of the Company which is the Macedonian Denar. The assets and liabilities presented in these financial statements are translated at the spot rate of exchange prevailing at the reporting date on which the financial statements were prepared. Revenues and expenses presented in the statement of comprehensive income are translated using the exchange rate prevailing at the date of the transaction, i.e. the average exchange rate for the period for which the statement of comprehensive income was prepared, if more practical. All resulting exchange rate differences are recognized in other comprehensive income.

Basis of preparation (continued)

The spot rate and the average rate of exchange used for translation from functional to presentation currency are the following:

	31 December 2020	31 December 2019
1 EUR	61.6940	61.4856
Average rate of exchange for the period ending	61.5898	61.4903

These financial statements have been prepared as of and for the years ended 31 December 2020 and 2019. Current and comparative data stated in these financial statements are expressed in EUR thousands, unless otherwise stated. Where necessary, the presentation of comparative data is adjusted according to the changes in the presentation for the current year.

2.2 Significant accounting policies and estimates and the impact of the COVID-19 pandemic

In early 2020, the existence of the coronavirus (COVID-19) was confirmed and it spread to pandemic proportions in a very short period of time. This emerging situation has caused a drastic decline in air traffic worldwide. In order to prevent and protect the population from the coronavirus, the Government of the Republic of North Macedonia closed the two international airports in mid-March 2020, and on 18 March 2020, a state of emergency was declared throughout the country. However, the skies over the country and Skopje International Airport remained open for uninterrupted air service for all state, cargo, humanitarian, medical and repatriation flights as well as aircraft participating in search and rescue operations. As a result of the coronavirus pandemic, the overflight revenues declined by 56% while terminal services declined by 59% during 2020 compared to the previous year. In order to deal with the pandemic situation and the negative implications of the Company's operations, during 2020 the Management undertakes a series of anti-crisis measures in accordance with the guidelines of the Government of the Republic of North Macedonia, primarily to reduce operating expenses. However, during 2020, the Company recorded significant operating losses and negative operating cash flow due to a sharp decline in revenues from overflight and terminal services.

Risk management and going concern

The Company regularly monitors the current and potential risks and manages them continuously and in a timely manner. The risks identified by the Company and affected by adverse economic developments due to the COVID-19 pandemic were: volatility of service income, increased credit risk and increased liquidity risk. The Company regularly monitors the projections for development of air traffic in conditions of pandemic and takes appropriate measures to maintain liquidity. In this regard, during 2020, the Company requested and received approval from the EBRD to reduce the minimum amount kept on the special (DSRA) account that serves as a guarantee for servicing the EBRD loan (Note 12).

During 2020, the Company regularly and without delays repays the liabilities and maintains high liquidity while the capital is maintained at an adequate level due to which it can be concluded that the application of the going concern assumption is appropriate.

Due to the uncertainty with the development of the COVID-19 pandemic, the Company actively monitors the situation with the COVID-19 pandemic and if it evaluates, will take additional measures in accordance with the anti-risk measures proposed by the Government of the Republic of North Macedonia and good business practices.

2.3 Foreign currency translation

Transactions denominated in foreign currencies have been translated into Denar using the middle exchange rate at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into Macedonian Denars ("Denars") at the National Bank of the Republic of North Macedonia middle exchange rate on the last day of the reporting period. All gains and losses resulting from foreign currency translation or exchange are included in the Statement of comprehensive income as finance income or costs in the period in which they arise.

2.4 Property and equipment

Items of property and equipment are stated at historical or deemed cost less accumulated depreciation and impairment provisions, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

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 cost of the replaced part is derecognized. All other repairs and maintenance are charged to the Statement of comprehensive income during the financial period in which they incurred.

Depreciation is charged on a straight-line basis, with purpose, to allocate the cost of property, buildings, vehicles and equipment up to their residual value over their estimated useful lives. Constructed assets are depreciated from the time they are put into use. No depreciation is provided on the land and construction in progress.

The estimated useful lives of items of property and equipment are as follows:

	31 December 2020	31 December 2019
Buildings	40 years	40 years
Equipment for radars, navigation and power	4 - 29 years	4 - 29 years
Furniture and office equipment	5 - 16 years	5 - 16 years

The estimated useful lives of the property and equipment as well as the applied depreciation method are reviewed at the end of each year and the effects of any changes are implemented as changes in accounting estimates having an effect on the change period and future periods. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

Income and expenses on disposal or retirement are determined by comparing the disposal proceeds with the carrying amount and are included in Statement for comprehensive income as gains/losses in the period when they incurred.

2.5 Intangible assets

Intangible assets acquired by the Company with definite useful lives are recorded at cost less accumulated amortization and impairment losses, if any.

Subsequent costs are capitalized only when it is probable that the future economic benefits will flow to the Company associated with the item and the cost of the item can be measured reliably. All other costs are recognized in profit or loss in the period incurred.

Amortization of intangible assets is charged on a straight-line basis for a period of five years. The estimated useful lives of the intangible assets as well as the applied amortization method are reviewed at the end of each year and the effects of any changes are implemented as changes in accounting estimates having an effect on the change period and future periods.

2.6 Impairment of non-financial assets

Property and equipment and intangible assets with definite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the Statement of comprehensive income. The recoverable amount is the higher of an asset's fair value less cost of disposal and its value in use.

The fair value less cost of disposal is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit.

2.7 Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. Cost of materials and spare parts are determined using the weighted average method and includes expenditure incurred acquiring the inventories and bringing them to their existing location and condition.

2.8 Financial assets

Classification

Company classifies its financial assets in the following categories: loans and receivables, financial assets held to maturity, held for trading financial assets, available-for-sale financial assets and financial assets at fair value through profit or loss. Management determines the classification of its financial assets at initial recognition. As at 31 December 2020 and 2019, the Company classifies its financial assets as loans and receivables.

Initial recognition and measurement

All financial assets, except those measured at fair value through profit or loss, are initially recognized at cost, i.e. the fair value of the assets acquired at the time of acquisition, including acquisition costs.

Financial assets (continued)

Subsequent measurement of financial assets

a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. The Company's loans and receivables consist of trade and other receivables as well as cash and cash equivalents.

Loans and receivables are carried at amortized cost by applying the effective interest method.

b) Financial assets held to maturity

All held-to-maturity investments are recognized at amortized cost using the effective interest method. Profit or loss is recognized in the income statement when the financial asset is derecognised or impaired, and through the amortization process. If the Company sells or reclassifies a significant amount of assets held to maturity before the maturity date, then the classification of the entire category would be called into question and would be reclassified as available-for-sale. As at 31 December 2020 and 2019, the Company has no assets classified as financial assets held-to-maturity.

c) Financial assets available for sale

Available-for-sale financial assets are investments that the Company intends to hold indefinitely, but may be sold to enhance liquidity, interest rate changes, exchange rates or the price of the instrument.

Available-for-sale financial assets are measured at their fair value at the valuation and reporting date, which is their final price for investments for which there is an active market. Impairment losses are determined by an individual assessment of the financial condition of the issuer of the securities.

Interest income is recognized in the statement of comprehensive income using the effective interest method. Dividend income is recognized when the Company is entitled to a dividend. Exchange rate gains or losses on available-for-sale instruments are recognized in the profit or loss.

Other changes in fair value are recorded directly in equity until the investments are sold or impaired, and cumulative gains or losses on equity are recognized in the profit or loss.

As at 31 December 2020 and 2019, the Company has no assets classified as financial assets available for sale.

d) Financial assets held for trading

Investments in trading securities are investments for which the Company intends to hold for a certain period of time and to sell them when favorable conditions are created for that. Trading investments are measured at fair value at the valuation and reporting date.

Realized gains and losses, as well as unrealized gains and losses arising from changes in the fair value of financial assets held for trading are included in the profit or loss in the period in which they arise.

As at 31 December 2020 and 2019, the Company has no assets classified as financial assets held for trading.

Financial assets (continued)

Derecognition of financial assets

The financial assets cease to be recognized after the expiration of the rights to receive cash flows from the financial assets or after their transfer, and the Company has transferred significantly all risks and rewards of ownership.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Income and expenses are offset and the net amount is shown in the statement of comprehensive income only if permitted by the standards, or for certain gains and losses arising from groups of similar transactions, such as trading activities.

2.9 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services rendered in the ordinary course of the business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized 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 receivables due according to the original terms of payments. 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 receivables are impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. Assets with a short maturity are not discounted.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the Statement of comprehensive income. When trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the Statement of comprehensive income.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, on demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less than three months from the acquisition date.

2.11 Impairment of financial assets

Assets carried at amortized cost

The Company assesses at each reporting date whether there is objective evidence that a financial asset is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the Statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the Statement of comprehensive income.

2.12 Equity, reserves and retained earnings

(a) Shareholders' capital

A Shareholders' capital represents the fair value of monetary and non-monetary assets granted from the founder on the Company's opening balance date as well as subsequent capital increase through the distribution of retained earnings.

(b) Retained earnings/Accumulated losses

Retained earnings/accumulated losses comprise of realized gains/losses from the current period and prior periods.

(c) Discount on share capital

As of 01 January 2011, the share capital of the Company registered in the Central Registry of Republic of Macedonia amounting EUR 18,764 thousand, while in the accounting records of the Company amounted to EUR 12,453 thousand. During 2011, in order to reconcile the accounting records of the Company with the registered share capital in the Central Registry of the Republic of North Macedonia, the Company increased the amount of the share capital in its accounting records and recognised discount on issued shares in the amount of EUR 6,311 thousand.

Equity, reserves and retained earnings (continued)

d) Reserves

Reserves, which comprise of statutory and reserves for investing activities, are generated throughout the periods, based on distribution of the retained earnings based on legal regulation and decisions by the Company's management and shareholders. According to the legal regulation, reserves can be used to cover losses, purchase of treasury shares and payment of dividends.

2.13 Financial liabilities

Financial liabilities are classified in accordance with the substance of the contractual arrangement.
Financial liabilities at amortised cost consist of borrowings and trade and other payables.

Trade payables

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

Trade payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method. Trade payables are derecognized when they are settled, cancelled or expired.

Other payables

Other payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method. Other payables are derecognized when they are settled, cancelled or expired.

Interest-bearing borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at their amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of comprehensive income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

2.14 Donations

Donations are systematically and rationally recognized as income during the asset's useful lives. The donations received are treated as deferred income in the accompanying financial statements. Income from donations is recognized in current profit or loss as other operating income.

2.15 Income tax

The expense for income tax for the reporting period is the sum of current and deferred tax.

Current income tax

Bases for calculation and payment of current tax on profit under rate of 10% profit before tax stated in the Statement of comprehensive income, adjusted for certain less declared revenues and non – deductible expenses for tax purposes, tax credit as well as other tax releases. Legal entities may use tax losses from current period for compensation of paid taxes related to certain period or for decrease or elimination of tax liabilities in the following periods.

Income tax (continued)

Deferred income tax

Deferred tax expense is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used in determination of deferred tax expense.

Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

The Company has not recognized any deferred tax assets or liability as of 31 December 2020 and 31 December 2019, as there are no temporary differences existing at that date.

2.16 Employee benefits

Pension obligations

The Company has pension scheme as prescribed by the local social security legislation under which it contributes to its employees' post retirement plans. Contributions, based on salaries, are made to the first and second pension pillar responsible for the payment of pensions. There is no additional liability regarding these pension plans.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Post-employment obligations

The Company pays jubilee awards for every ten years of uninterrupted service in the company, amounting to an average national net salary. Furthermore, the Company also provides its retirees special minimal amount (retirement indemnity) in amount of two monthly average salaries. The Company has recorded provision for this minimal amount for employee’s retirement on the reporting date.

2.17 Value-added tax

Revenues, expenses and assets are recognized net of the amount of value added tax, except:

- When the value added tax from the purchase of assets or services is not reimbursable by the tax authority, in which case the value added tax is recognized as part of the expenses for the acquisition or as part of the cost where appropriate; and

- Receivables and liabilities which are presented with value added tax included.

The net amount of value added tax which is recoverable from, or payable to the tax authorities is included as part of the receivables or liabilities in the Statement of financial position.

2.18 Provisions

A provision is recognised when there is a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each Statement of financial position date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of provision is the present value of the expenditures expected to be required to settle the obligation. Provisions are not recognized for future operating losses.

2.19 Revenue and expense recognition

Revenue consists of revenue from provided services and is presented in Note 16. Revenue is measured by the fair value of the received reimbursement, i.e. the reimbursement that is received for the sold products and trade goods and the services, net VAT tax and sales discounts, if any.

Revenue is recognized when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity, the cost incurred or to be incurred can be measured reliably and the criteria for each of Company’s different activities has been met. Revenue is recognised as follows:

Rendering services

Revenue from rendering services is recognized by reference to the stage of completion when can be measured reliably. The stage of completion is determined based on surveys of work performed.

The recognition and calculation of revenues from Eurocontrol, included in the income from flights over disclosed in Note 16, is based on information and reports from Eurocontrol. Republic of North Macedonia is a member of Eurocontrol, which like 38 other states have ratified the Multilateral Agreement on fees from flights and also EU Regulation 1794/2006, for joint scheme of air navigation services, according to which Eurocontrol calculates and charges services to airlines.

Rental income

Income from rents, less recognized discounts, if any, is recognized at the date of origin in accordance with the contract.

Interest income and costs

Interest is recognized on a time proportion basis that reflects the effective yield on the assets.

Finance costs consist of interest cost on borrowings and interest on late payment. Borrowing costs are recognized in profit or loss using the effective interest method.

Operating expenses

Operating expenses are recognised upon utilisation of the service or at the date of the origin.

2.20 Commitments and contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

The amount of a contingent loss is recognized as a provision if it is probable that future events will confirm that, a liability incurred as at the Statement of financial position date and a reasonable estimate of the amount of the resulting loss can be made.

2.21 Related parties transactions

Related parties are those where one of the parties is controlled by the other or has significant influence in making financial or business decisions of the other party. The Company has no related parties therefore the related parties transactions are not disclosed in these financial statements.

2.22 Segment reporting

A segment is a distinguishable group of assets and operating activities that is engaged in providing products or services, subject to risks that are different from those of other segments. Geographical segment provides products and services within a defined economic surrounding exposed to risks different from those of other geographical segments.

The Company performs one operational activity - provides air navigation services on the territory of the Republic of North Macedonia due to which the Company in the financial statements does not disclose information related to certain operating segments and geographical regions.

2.23 Events after the reporting date

Events after the reporting date that provide additional information about a Company's position at the Statement of financial position date (adjusting events) are reflected in the financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes when material.

3 Financial risk management

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks, including credit risk and risks associated with the effects of changes in foreign currency exchange rates and interest rates. The Company's risk management focuses on unpredictability of markets and seeks to minimize potential adverse effects over the Company's business performance.

Risk management is carried out by the Managing Board based on certain pre – approved written policies and procedures that cover overall risk management, as well as specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of appropriate securities and investing excess liquidity.

3.2 Market risks

Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to Euro. The Company does not use any instrument to hedge the foreign exchange risk. The Company's Management is responsible to maintain adequate net position in each currency and in total.

The carrying value of the monetary assets and liabilities of the Company denominated in foreign currencies is as follows:

In EUR thousand	2020
	EUR
Assets	
Trade receivables	2,303
Cash and cash equivalents	5,638
	7,941
Liabilities	
Interest-bearing borrowings	2,924
	2,924

	EUR
Assets	
Trade and other payables	2,770
Cash and cash equivalents	12,808
	15,578
Liabilities	
Interest-bearing borrowings	2,441
Trade payables	691
	3,132

Market risks (continued)

The sensitivity analyses includes only monetary items denominated in EUR at year end as foreign currency to which the Company has significant exposure, and a correction of their value is made for a 1% change in foreign currency rates. The negative amount indicates decrease in profit or other equity, which occurs when the Denar strengthens its value against EUR by 1%. When the Denar weakens its value against EUR by 1%, the effect on the profit or other equity is equal, but with opposit sign, as shown in the table below (in EUR thousands).

Foreign currency sensitivity analysis

In EUR thousands		Net amount		2020
EUR	1%	5,017	50	(50)
Profit/ (loss)		5,017	50	(50)
				2019
EUR	1%	12,446	124	(124)
Profit/ (loss)		12,446	124	(124)

Cash flows and fair value 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. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligation with floating interest rate. The Company's Management is primarily responsible for daily monitoring of the net interest rate risk position and it sets limits to reduce the potential of interest rate mismatch.

The table below summarizes the Company's exposure to interest rate risks:

		In EUR thousands
	2020	2019
Financial assets		
Non-interest bearing:		
Trade and other receivables	50	47
Cash and cash equivalents	5,848	12,888
	5,897	**12,936**
Interest bearing (with fixed interest rate):		
Trade receivables	1,661	2,072
Total	**1,661**	**2,072**
Financial liabilities		
Non-interest bearing:		
Trade and other payables	185	1,806
	185	1,806
Interest bearing (with variable interest rate):		
Interest-bearing borrowings	2,924	2,441
	2,924	2,441
Total	**3,109**	**4,247**

Market risks (continued)

Interest rate sensitivity analyses

	In EUR thousands		
31 December 2020	Net amount	2%	-2%
With variable interest rate	(2,924)	(58)	58
31 December 2019	Net amount	2%	-2%
With variable interest rate	(2,441)	(49)	49

The positive, i.e. negative amount indicates increase/decrease in profit or other equity, which occurs when interest rates are higher/lower by 2% p.p..

3.3 Credit risk

Credit risk is the risk of financial loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations at the reporting date. The Company has policies that limit the amount of credit exposure to any counter party.

The Company's maximum exposure to credit risk is presented by the carrying amount of each financial asset in the Statement of financial position date as summarised below:

		In EUR thousand
	2020	2019
Classes of financial assets – carrying value		
Trade and other receivables	1,711	2,119
Cash and cash equivalents	5,848	12,888
	7,559	**15,007**

Credit risk for cash and cash equivalents is materially insignificant due to assets being held in reputable banks with high credit ratings.

The age structure and quality of trade and other receivables are disclosed in Note 9.

3.4 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, availability of funds through adequate credit facilities and ability to collect timely, within the established terms, the amounts due from the customers. Due to the dynamic nature of the Company's business, the management aims to maintain flexible funds by keeping committed credit lines available. The following tables present the remaining contractual maturities of financial liabilities of the Company. The tables are prepared on the basis of undiscounted cash flows of financial liabilities.

31 December 2020					In EUR thousands
	Up to 1 year	1 to 2 years	2-5 years	Over 5 years	Total
Interest-bearing borrowings	513	513	1,540	358	2,924
Trade and other payables	185	-	-	-	185
	698	**513**	**1,540**	**358**	**3,109**

31 December 2019					In EUR thousands
	Up to 1 year	1 to 2 years	2-5 years	Over 5 years	Total
Interest-bearing borrowings	456	515	1,470	-	2,411
Trade and other payables	1,806	-	-	-	1,806
	2,262	**515**	**1,470**	**-**	**4,247**

3.5 Capital risk management

The Company's objectives when managing capital are to safeguard its 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.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

Gearing ratio

The structure of the Company's equity comprises of liabilities, which include interest bearing borrowings, cash and cash equivalents and equity, which comprises of shareholders' capital, reserves and retained earnings.

The Management reviews the capital structure on an annual basis as a relation between the net loan liabilities and the total capital. The net loan liabilities are calculated as total liabilities for borrowings less the amount for cash and cash equivalents.

The gearing ratio is recognized as follows:

	2020	2019
Long-term borrowings	2,924	2,441
Cash and cash equivalents	(5,848)	(12,888)
Net (assets) / liabilities	(2,923)	(10,447)
Equity	13,934	19,808
	(20.98)%	**(52.74)%**

3.6 Fair value

Fair value represents the amount at which an asset could be replaced or a liability settled on an arms` length basis. Fair value has been determined based on management assumptions according to the profile of the asset and liability base.

3.6.1 Financial instruments presented at fair value

The financial assets measured according to the fair value in the Statement of financial position are in accordance with the hierarchy of the fair value which groups the financial assets and liabilities into three levels based on the significance of the input data used during the measurement of the fair value of the financial assets. Fair value hierarchy is as follows:

- Level 1: quoted prices (not adjusted) on the active markets for identical assets or liabilities;
- Level 2: other input data, aside from the quoted prices, included in Level 1 which are available for asset or liability, directly (i.e. as prices), or indirectly (i.e. made of prices) observable; and
- Level 3: input data on the asset or liability that are not based on observable data available for market.

The Company has no assets or liabilities classified in any of these categories as of the reporting date.

3.6.2 Fair value of financial assets not recognized at fair value in the statement of financial position

The following table summarizes the difference between carrying amounts and fair values to those financial assets and liabilities that are not presented in the Statement of financial position at their fair value (in EUR thousand):

	Carrying value 2020	Carrying value 2019	Fair value 2020	Fair value 2019
Assets				
Trade and other receivables	1,711	2,119	1,711	2,119
Cash and cash equivalents	5,848	12,888	5,848	12,888
Total assets	**7,559**	**15,007**	**7,559**	**15,007**
Liabilities				
Interest-bearing borrowings	2,924	2,441	2,924	2,441
Trade and other payables	185	1,806	185	1,806
Total liabilities	**3,109**	**4,247**	**3,109**	**4,247**

Loans and receivables

Loans and receivables are carried at amortized cost, less provisions for impairment. Their fair value approximates to their carrying value, due to short – term maturity.

Cash and cash equivalents

The fair value of monetary assets that include cash and cash equivalents is considered to approximate their respective carrying values by definition and due to their maturity of less than 3 months.

Trade payables and borrowings

The carrying amount of liabilities to suppliers corresponds to their fair value due to their short-term maturity. The carrying amount of borrowings corresponds to their fair value due to the adjustment of interest rates to market rates for similar instruments.

4 Critical accounting estimates and judgements

In the application of the Company's accounting policies, which are described in Note 2 to the financial statements, Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. The actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revised accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Uncertainty in judgments

Impairment of non- financial assets

Impairment losses are recognized in the amount for which the carrying value of the asset or the cash generating unit exceeds the recoverable amount. When determining the recoverable amount, the Management evaluates expected prices and cash flows from each cash generating unit and determines an appropriate interest rate when calculating the present value of such cash flows.

Impairment of financial assets

Impairment of trade and other receivables

Company calculates impairment for trade and other receivables based on estimated losses resulting from the inability of our customers to make required payments. The estimation is based on the ageing of account receivables balance and historical write-off experience, customer credit-worthiness and changes in customer payment terms. These involve assumptions about future customer behaviour and the resulting future cash collections. If the financial condition of 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.

Useful life of amortised assets

Management regularly reviews the useful lives of amortised assets as at 31 December 2020. Management estimates that the determined useful life of assets represents the expected usefulness (utility) of assets. The carrying values of such assets are analysed in Note 5 and 6. However, the factual results may differ due to the technological obsoleteness.

Inventories

Inventories are stated at the lower of cost and net realisable value. When determining the net realisable value, Management takes into account the most objective evidence / data available at the date the assessments are made.

(All amounts expressed in EUR thousand, unless otherwise stated)

5 Property and equipment

	Buildings	Vehicles and equipment	Construction in progress	Total
Cost				
At 01 January 2019	**3,420**	**10,540**	**1,915**	**15,875**
Additions during the year	-	211	2,445	2,656
Activation (transfer from investments)	-	94	(94)	-
At 31 December 2019/01 January 2020	**3,420**	**10,845**	**4,266**	**18,531**
Additions during the year	-	317	534	851
Transfer from investments to equipment	-	551	(551)	-
Transfer from investments to inventory	-	-	(102)	(102)
Transfer from investments to direct costs	-	-	(26)	(26)
Transfer from investments to guaranties	-	-	(51)	(51)
Disposals during the year	-	(97)	-	(97)
Write offs	-	(170)	-	(170)
Exchange differences	(2)	(13)	(14)	(29)
At 31 December 2020	**3,418**	**11,433**	**4,056**	**18,907**
Accumulated depreciation				
At 01 January 2019	**940**	**8,269**	**-**	**9,209**
Depreciation for the year	110	547	-	657
At 31 December 2019/01 January 2020	**1,050**	**8,816**	**-**	**9,866**
Depreciation for the year	105	447	-	552
Disposals during the year	-	(97)	-	(97)
Write offs	-	(167)	-	(167)
At 31 December 2020	**1,155**	**8,999**	**-**	**10,154**
Net carrying amount				
At 01 January 2019	2,480	2,271	1,915	6,666
At 31 December 2019	**2,370**	**2,029**	**4,266**	**8,665**
At 31 December 2020	**2,263**	**2,434**	**4,056**	**8,753**

Donations

During 2012, the Company has received a donation of navigation equipment for Skopje and Ohrid airports from TAV TEPE AKFEN AD in state ownership in the amount of EUR 358 thousand. As at 31 December 2020, the net carrying value of the asets amounts to EUR 159 thousand (2019: EUR 182 thousand) (Note 13).

During 2020, the Company has received a donation of equipment for activation of radar at Ohrid airport from INDRA Sistemas S.A, Spain in the amount of EUR 32 thousand. As at 31 December 2020, the net carrying value of the assets amounts to EUR 30 thousand.

Construction in progress

As of 31 December 2020 and 2019, construction in progress consists of:

	2020	2019
ATM equipment	1,999	2,006
Building	1,061	1,066
Meteo equipment	555	376
Parking system	300	291
Land	109	104
Optic cables	32	-
Radar equipment for Ohrid airport	-	423
	4,056	**4,266**

(All amounts expressed in EUR thousand, unless otherwise stated)

Property and equipment (continued)

Disposals

During 2020, the Company sold equipment with zero carrying amount and did not earn income from this transactions.

Property and equipment pledged

As at 31 December 2020 and 2019 the Company has no property pledged as collateral for borrowings from financial institution.

Ownership status of the construction and infrastructure facilities of the Company

The Company is in the process of legalization and registration of construction and infrastructure facilities in its possession. Additionally, as of 31 December 2020, for administration purposes, the Company uses an administrative building that has not been put into use and it is included in the construction in progress in the amount of EUR 1,061 thousand (2019: EUR 1,066 thousand) due to the fact that no technical inspection has been performed and no approval for use of the building has been obtained, yet.

6 Intangible assets

	Licences
Cost	
At 01 January 2019	**534**
Additions during the year	9
At 31 December 2019/01 January 2020	**543**
Additions during the year	139
At 31 December 2020	**682**
Accumulated depreciation	
At 01 January 2019	**510**
Depreciation for the year	4
At 31 December 2019/01 January 2020	**514**
Depreciation for the year	19
At 31 December 2020	**533**
Net carrying amount	
At 01 January 2019	24
At 31 December 2019	**29**
At 31 December 2020	**149**

(All amounts expressed in EUR thousand, unless otherwise stated)

7 Financial instruments by category

The carrying amounts of the Company's financial assets and liabilities as recognised at the Statement of financial position date for the reporting periods under review may also be categorised as follows:

31 December 2020	Loans and receivables	Total
Assets according to the Statement of financial position		
Trade and other receivables	1,711	1,711
Cash and cash equivalents	5,848	5,848
	7,559	**7,559**

	Other financial liabilities at amortised cost	Total
Liabilities according to the Statement of financial position		
Interest-bearing borrowings	2,924	2,924
Trade and other payables	186	186
	3,110	**3,110**

31 December 2019	Loans and receivables	Total
Assets according to the Statement of financial position		
Trade and other receivables	2,119	2,119
Cash and cash equivalents	12,888	12,888
	15,007	**15,007**

	Other financial liabilities at amortised cost	Total
Liabilities according to the Statement of financial position		
Interest-bearing borrowings	2,441	2,441
Trade and other payables	1,806	1,806
	4,247	**4,247**

8 Inventory

	2020	2019
Materials	13	9
Spare parts	200	105
Small inventory in use	3	2
	216	**116**

9 Trade and other receivables

	2020	2019
Trade receivables		
Foreign	2,303	2,770
Local	5	4
	2,308	**2,774**
Allowances for impairment of accounts receivables	(597)	(655)
	1,711	**2,119**
Other receivables		
Prepaid expenses	177	149
Value added tax receivables	116	105
Guaranty for activated asset	51	-
Personal income tax receivables	18	18
Receivables from employees	3	4
Advances given	2	-
	368	**275**
	2,079	**2,394**

(All amounts expressed in EUR thousand, unless otherwise stated)

Trade and other receivables (continued)

The ageing structure of trade receivables as of 31 December 2020 is as follows:

	Local	Foreign	Total
Not past due	-	1,161	1,161
Past due but not impaired			
Up to 30 days	-	438	438
From 1 to 3 months	-	204	204
From 3 to 6 months	-	24	24
From 6 to 12 months	1	13	14
Over 1 year	4	463	437
	5	2,303	2,308
Less: allowance for impairment	-	(597)	(597)
	5	**1,706**	**1,711**

Foreign trade receivables mostly refer to receivables from Eurocontrol. According to the established protocol for cooperation, the invoicing for the services rendered is made on a monthly basis in the month following the month when the service is rendered. The collection of receivables is done in the month after the invoice was issued.

Due to the situation and the implications of COVID-19 pandemic on the air trafic in general, the Company accepted the request from Eurocontrol to postpone the collection of receivables for the months of February, March, April and May 2020. The collection of these receivables is realized with deferred dynamics, ie November 2020 (for receivables from February 2020), March 2021 (for receivables from March 2020), May 2021 (for receivables from April 2020) and August 2021 (for receivables from May 2020).

The ageing structure of trade receivables as of 31 December 2020 is as follows:

	Local	Foreign	Total
Not past due	-	1,033	1,033
Past due but not impaired			
Up to 30 days	-	963	963
From 1 to 3 months	-	200	200
From 3 to 6 months	-	112	112
From 6 to 12 months	1	30	31
Over 1 year	2	433	435
	3	2,771	2,774
Less: allowance for impairment	-	(655)	(655)
	3	**2,116**	**2,119**

Movements in the impairment provision account of the periods reviewed are as follows:

	2020	2019
At 1 January	655	517
Provision for impaiment of receivables (Note 20)	110	198
Written off previously impaired receivables	(168)	(60)
At 31 December	597	655

During 2020, the Company has directly written off trade receivables in amount of EUR 12 thousand (Note 20) (2019: none).

10 Cash and cash equivalents

	2020	2019
Current account	93	74
Foreign exchange account	4,793	10,004
Cash on hand in foreign currency	12	4
Other – master cards	116	6
	5,014	**10,088**
Restricted cash and cash equivalents	834	2,800
	5,848	**12,888**

The restricted cash and cash equivalents in amount of EUR 834 thousand refer to funds transferred to a special account in accordance with the agreement signed with EBRD for the interest-bearing borrowings (Note 12). According to a notification received from EBRD dated 27 May 2020, the Company was authorized to reduce the minimum amount of restricted cash and cash equivalents and starting from 15 June 2020 to maintain a minimum amount of EUR 1,300,000 on the account.

Additionally, according to a notification, EBRD approved repayment of the next 8 tranches of the interest-bearing borrowing in the period from 15 June 2020 through 15 June 2022, to be made from the restricted cash and cash equivalents account.

For the purpose of preparing the Statement for cash flows, the restricted cash is not classified as cash and cash equivalents.

11 Equity

Share capital

During 2020, the Company has increased its share capital by distribution of retained earnings from 2017, 2018 and 2019, and issued 287,982 ordinary shares with a nominal value of EUR 16.26. As at 31 December 2020, the share capital of the Company amounts to EUR 25,240 thousand (2019: EUR 20,556 thousand) and it is divided in 1,552,034 shares with nominal value per share of EUR 16.26. All shares are in ownership of the Government of the Republic of North Macedonia.

The structure of the share capital according the Central Registry Decision as of 31 December 2020 and 2019 is as follows:

2020	Type of shares	Number of shares	Amount in ‘000 EUR	%
Government of the Republic of North Macedonia	Ordinary	1,552,034	25,240	100%
		1,552,034	25,240	

2019	Type of shares	Number of shares	Amount in ‘000 EUR	%
Government of the Republic of North Macedonia	Обични	1,264,052	20,556	100%
		1,264,052	20,556	

(All amounts expressed in EUR thousand, unless otherwise stated)

Equity (continued)

Reserves

	Mandatory reserves	Reserves for investing activities	Total
01 January 2019	151	-	151
Increase of reserves	13	-	13
31 December 2019	**164**	**-**	**164**
01 January 2020	**164**	**-**	**164**
Increase of reserves	271	444	**715**
31 December 2020	**435**	**444**	**879**

12 Interest-bearing borrowings

	2020	2019
Interest-bearing borrowings from foreign financial institutions		
Long-term loan from EBRD	2,924	2,441
Less: short-term portion	(513)	(456)
Long-term portion of interest-bearing borrowings	**2,411**	**1,985**
Interest liabilities	-	-
Short-term portion of interest-bearing borrowings	513	456
Short–term portion of interest-bearing borrowings	**513**	**456**
	2,924	**2,441**

On 24 Sepember 2013 the Company has signed loan agreement nr.44067 for long-term borrowing with EBRD in total amount of EUR 11,150,000 with interest rate EURIBOR01+3.75% and repayment period of 12 years from the date of the loan agreement. According to the loan agreement, the Company is obliged to open a special account (DSRA account) on which a guarantee of restricted cash and cash eqivalents will be maintained.

On 10 January 2014, Annex nr.1 to the agreement was signed for change of the amount of the restricted cash on DSRA account and other clauses related to the operation of the Company. On 13 December 2016, Annex nr.2 to the agreement was signed for change of the amount of restricted cash on DSRA account, the repayment period and other clauses related to the operation of the Company. On 27 February 2021, Annex nr.3 to the agreement was signed for change of the repayment period and change of the value of one of the defined covenants.

During 2020, due to the COVID-19 pandemic, the Company requested with a letter of support from EBRD to reduce the minimum amount of restricted cash held on the DSRA account. According to a notification received from EBRD dated 27 May 2020, the Company was authorized to reduce the minimum amount of restricted cash and cash equivalents and starting from 15 June 2020 to have a minimum amount of EUR 1,300,000 on the account. Additionally, according to the notification, EBRD approved repayment of the next 8 tranches in the period from 15 June 2020 through 15 June 2022, to be made from the account for restricted cash and cash equivalents.

Due to the changes in accordance with the annexes to the Agreement regarding the repayment periods and the dynamic od using the funds from the lon-term borrowings, the Company does not have an updated amortisation plan to the Agreement, and repays the loan according to EBRD notices (billing invoices). Accordingly, the current maturity is shown based on an estimate using the dinamics of previous repayments.

As at 31 December 2020, the Company has restricted cash on the special DSRA account in total amount of EUR 834 thousand (2019: EUR 2,800 thousand) (Note 10).

(All amounts expressed in EUR thousand, unless otherwise stated)

13 Deferred donations

	2020	2019
Equipment	192	184
	192	**184**

As at 31 December 2020, the amount of EUR 192 thousand consists of equipment from TAV TEPE AKFEN AD in state ownership donated during 2012, with net carrying amount of EUR 162 thousand and donated equipment from INDRA S.A, Spain during 2020 upon activation of the radar for the Company's needs with net carrying amount of EUR 30 thousand (Note 5).

Movement of donations during 2020 and 2019 is as follows:

	2020	2019
At 01 January	184	213
Depreciation of equipment for the year (Note 17)	(24)	(22)
Additions during the year	32	-
Corrections from previous years	-	(7)
At 31 December	**192**	**184**

14 Provisions

Provisions for employees' benefits

As of 31 December 2020, the Company has recognized provision for calculated allowance for employees' retirement and jubilee awards in amount of EUR 99 thousand (2019: EUR 91 thousand).

Change in the provisions account for employees' contributions for the reviewed period is as follows:

	2020	2019
At 1 January	91	83
Provision for employees' contributions (Note 19)	10	10
Release of provision for employees' contribution	(2)	(2)
At 31 December	**99**	**91**

15 Trade and other payables

	2020	2019
Trade payables		
Domestic	177	117
Foreign	-	692
	177	**809**
Other liabilities		
Liabilities towards employees	9	997
	186	**1,806**

16 Sales

	2020	2019
Income from flights over	6,689	15,083
Income from landing, flight control and lighting	995	2,455
Income from other services	160	151
	7,844	**17,689**

(All amounts expressed in EUR thousand, unless otherwise stated)

17 Other operating income

	2020	2019
Income from donation (Note 13)	24	22
Income from previous years	17	33
Rent	5	1
Compensation for damages from insurance companies	-	20
Other income	-	5
	46	**71**

18 Materials and maintenance expenses

	2020	2019
Maintenance and protection expenses	186	432
Wires	185	200
Energy and fuel	161	142
Telecommunications and transport	74	127
Materials	48	66
Fuel	29	69
Small inventory	8	8
Communal services	4	5
	695	**1,049**

19 Personnel expenses

	2020	2019
Net salaries	6,988	8,141
Salary contributions and taxes	4,046	5,123
Other personnel expenses	62	235
Provisions for employees’ contributions (Note 14)	10	10
	11,106	**13,509**

20 Other operating expenses

	2020	2019
Seminars and other consultings	335	259
Licences for the Civil Aviation Agency	174	174
Insurance premiums	159	160
Allowance for impairment of trade receivables (Note 9)	110	198
Intellectual services	87	189
Per diems and travel expenses	55	365
Consulting services	38	17
Donations in the country	34	317
Memberships for associations	26	-
Representation	24	43
Bank provisions	14	21
Expense for directly written off receivables (Note 9)	12	-
Carrying value of written off equipment (Note 5)	3	-
Rent expenses	2	6
Expenses for legal procession	-	48
Other expenses	95	90
	1,168	**1,889**

(All amounts expressed in EUR thousand, unless otherwise stated)

21 Finance income and costs

	2020	2019
Income		
Interest income	16	10
Foreign currency exchange gains	8	1
	24	11
Costs		
Foreign currency exchange losses	11	8
Interest expenses	180	132
	191	140
Finance (costs), net	**(167)**	**(129)**

22 Income tax expense

The reconciliation of the income tax according the Statement of comprehensive income for 2020 and 2019 is as follows:

	2020	2019
Profit before tax	(5,817)	522
Non-deductible expenses for tax purposes for the current year	211	547
Tax base	**(5,606)**	**1,069**
Reducing the tax base	-	-
Tax base after reducing	**(5,606)**	**1,069**
Tax rate	10%	10%
Income tax for the year	**-**	**107**
Reducing calculated income tax	-	(53)
Income tax at the rate of 10% (2019: 10%)	**-**	**(53)**
Effective income tax rate	-	10.24%

23 Related party transactions

For the purposes of these financial statements have not been identified related parties with which the Company has transactions in the normal course of business.

Transactions with key management

Total expenses for the Company's key management are as follows:

	Receivables	Liabilities	Revenues	Expenses
2020				
Key management				
Short-term benefits for key management personnel	-	1	-	110
	-	**1**	**-**	**110**
2019				
Key management				
Short-term benefits for key management personnel	-	-	-	173
	-	**-**	**-**	**173**

24 Commitments and contingencies

Guarantees

As at 31 December 2020 and 2019 the Company has no commitments for issued short term guarantees.

Litigations

As at 31 December 2020 there are several court litigations against the Company based on labor disputes in total amount of EUR 3 thousand (2019: none). No significant liabilities have been anticipated from these proceedings, as professional advice indicates that it is unlikely that any significant loss will arise.

(All amounts expressed in EUR thousand, unless otherwise stated)

Commitments and contingencies (continued)

Tax liabilities

The financial statements and accounting records of the Company are subject to tax control by the tax authorities in the period of 5 years after the submission of the tax report for the financial year and additional taxes and costs may incur, primarily due to different interpretations of tax regulations by tax authorities. The tax books and records of the Company for 2020 have not been audited by the tax authorities, so the tax liabilities recorded in these financial statements cannot be considered final. Additional taxes and any sanctions that may result from such a tax inspection cannot be determined with reasonable certainty.

Financial contractual obligations

According to the Loan Agreement no.44067 signed on 24 September 2013, between EBRD and the Company, the Company is required to maintain a certain level of the following financial ratios for the duration of the loan as follows:

а. Debt service coverage ratio – not less than 1.15;
б. Financial debt to equity – not more than 1.5;
в. Current ratio – not less than 1.3.

Actual ratios according to the provisions of the above mentioned agreement are as follows:

Ratio	2020	2019
а. Debt service coverage ratio	9.23	28.69
б. Financial debt to equity	0.21	0.12
в. Current ratio	45.43	8.55

According to the notification dated 27 May 2020, EBRD approved repayment of tne next 8 tranches in the period from 15 June 2020 through 15 June 2022 to be paid from the special account (DSRA account) on which the Company holds restricted cash (Note 12). As a result of this change, the account balance is included in the calculation of the debt servicing ratio. However, even if the balance of the DSRA account is not included in the calculation of this ratio, the Company would be in compliance with the requirements of the long-term loan agreement. In that case, the debt service coverage ratio would be 7.91.

25 Events after the reporting date

During the first quarter of 2021, the Company signed an annex to the contract for supply and installation of meteorological equipment with DTN Netherlands B.V. according to which the Company acquires the right to compensation in the amount of up to 20% of the value of the contract due to the delays suffered in the implementation of the contract caused by the supplier. As a result, during 2021, the Company will receive compensation (penalties) in the total amount of EUR 150 thousand in form of spare parts and services.

Except for the above mentioned matter, after 31 December 2020 - the reporting date until the approval of these financial statements, there are no adjusting events reflected in the financial statements or events that are materially significant for disclosure in these financial statements.